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82 No. 699

IN THE

Supreme Court of the United States

OCTOBER TERM, 1982

CHAMPION PRODUCTS INC.,

Petitioner,

—v.—

UNIVERSITY OF PITTSBURGH,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

PAUL J. WEINER
BREED, ABBOTT & MORGAN
Citicorp Center
153 East 53rd Street
New York, New York 10022
(212) 888-0800

Counsel for the Petitioner, Champion Products Inc.

ADRIAN V. WHITE
CHARLES R. FRASER

Of Counsel

WILLIAM H. HAUSER
ANDERSON, MORELAND & BUSH
26th Floor, Centre City Tower
Pittsburgh, Pennsylvania 15222
(412) 471-3002

Of Counsel

Question Presented For Review

1. Did the District Court abuse its discretion by dismissing plaintiff University of Pittsburgh's (hereinafter "Pittsburgh") complaint on grounds of laches where

(a) it was undisputed that Pittsburgh had waited 45 years to bring its claim for injunctive relief and had done nothing for 44 years to inform defendant Champion Products Inc. (hereinafter "Champion") of the existence of its claim,

(b) Pittsburgh's excuse for this 45-year delay was found by the District Judge to be "inconceivable" as a matter of fact;

(c) the question of laches turned primarily on oral testimony, and the District Court expressly found Champion's principal witness to be credible and Pittsburgh's factual position to be "inconceivable"; and

(d) during Pittsburgh's 45 years of inaction, Champion had built up a $100 million a year business out of nothing.[1]

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1 The only parties to this proceeding are the Petitioner, Champion Products Inc., and the Respondent, University of Pittsburgh. Pursuant to Rule 28.1 of this Court, this certifies that Champion does not have any parent company, subsidiary other than wholly-owned subsidiaries, or affiliates.

TABLE OF CONTENTS

	PAGE
Questions Presented For Review	i
Table of Authorities	v
Opinions Below	1
Grounds of This Court's Jurisdiction	2
Relevant Statute	2
Statement of the Case	2
Statement of Facts	3
Argument	5
I. THE DISTRICT COURT PROPERLY EXERCISED ITS DISCRETION BY DISMISSING PITTSBURGH'S 45-YEAR OLD CLAIM	5
A. By Overturning the District Judge's Exercise of Discretion Where that Discretion Had Not Been Abused, the Court of Appeals Disregarded this Court's Holding in *National Hockey League*	5
B. The Court of Appeals' Reinstatement of Pittsburgh's 45-Year-Old Claim Was Not Simply Wrong as a Matter of Law, but Aberrational.	7
C. The Court of Appeals Improperly Ignored the Record and the District Court's Findings of Fact	9
D. As Even the Court of Appeals Recognized, Pittsburgh's 45 Years of Delay Created a Presumption of Prejudice Sufficient to Sustain the Defense of Laches	14
E. In Any Event, Champion Amply Proved Prejudice	20

PAGE

1. Champion built its business from nothing to a major corporation during the 44 years of Pittsburgh's silence..... 24

2. Champion "created, developed and expanded" and still leads an entire industry that would not exist at all largely but for Champion's efforts..... 26

3. Pittsburgh's conduct constituted not only inaction and delay, but estoppel, consent and affirmative encouragement of Champion's activity..... 28

CONCLUSION..... 30

APPENDIX

Opinion of the United States Court of Appeals For the Third Circuit..... 1a

Findings of Fact and Conclusions of Law of Cohill, *D.J.* of the United States District Court, W.D. Pennsylvania..... 18a

Order of Cohill, *D.J.* Entering Judgment in Favor of Defendant..... 27a

Order of Cohill, *D.J.* Denying Motion by Plaintiff to Make Additional findings of Fact and to Amend Order..... 29a

Order of Van Dusen, *C.J.* Staying Judgment..... 31a

Judgment of the Third Circuit..... 32a

Order of the Third Circuit Denying Petition for Rehearing..... 34a

TABLE OF AUTHORITIES

Cases	PAGE
Anheuser-Busch, Inc. v. DuBois Brewing Co., 175 F.2d 370 (3d Cir. 1949), *cert. denied*, 339 U.S. 934 (1950)	14, 15, 16, 17
Borg-Warner Corp. v. York-Shipley, Inc., 127 U.S.P.Q. 42 (N.D.Ill. 1960), *mod. other grounds*, 293 F.2d 88 (7th cir.), *cert. denied*, 368 U.S. 939 (1961)	29
Burke v. Gateway Clipper, Inc., 441 F.2d 946 (3d Cir. 1971)	20
California Western School of Law v. California Western University, 178 Cal. Rptr. 685, 125 Cal. App. 3d 1002 (4th Dist. 1981)	20
Carter-Wallace, Inc. v. Proctor & Gamble Co., 434 F.2d 794 (9th Cir. 1970)	24
Creswill v. Knights of Pythias, 225 U.S. 246 (1912)	11, 16, 20
Czaplicki v. The Hoegh Silvercloud, 351 U.S. 525 (1956)	6
Dwinell-Wright Co. v. White House Milk Co., 132 F.2d 822 (2d Cir. 1943)	24
Dyer v. MacDougal, 201 F.2d 265 (2d Cir. 1952)	21
Elmendorf v. Taylor, 23 U.S. 67 (1825)	16
Gardner v. Panama Railroad Co., 342 U.S. 29 (1951)	6
General Elecric Company v. Sciaky Bros., Inc., 304 F.2d 724 (6th Cir. 1962)	20
Gillons v. Shell Co. of California, 86 F.2d 600 (9th Cir. 1936), *cert. denied*, 302 U.S. 689 (1937)	18, 19, 21
Gruca v. United States Steel Corp., 495 F.2d 1252 (3d Cir. 1974)	11, 20
Inwood Laboratories Inc. v. Ives Laboratories Inc., ___ U.S. ___, 102 S. Ct. 2182 (1982)	5

PAGE

Maxwell v. Kennedy, 49 U.S. 210 (1850)..... 16

McGrath v. Panama Railroad Co., 298 F. 303 (5th Cir. 1924)..... 21

McLean v. Fleming, 96 U.S. 245 (1878)..... 17

Menendez v. Holt, 128 U.S. 514 (1888).....15-17, 20

National Hockey League v. Metropolitan Hockey Club, Inc., 427 U.S. 639 (1976) 5, 6, 7

Polaroid Corp. v. Polarad Electronics Corp., 287 F.2d 492 (2d Cir.), *cert. denied*, 368 U.S. 820 (1961).....19, 24

Prince's Metallic Paint Co. v. Prince Mfg. Co., 57 F. 938 (3d Cir. 1893)..... 19

Russell v. Todd, 309 U.S. 280 (1940)..... 16

Safeway Stores, Inc. v. Safeway Quality Foods, Inc., 433 F.2d 99 (7th Cir. 1970) 20

Saxlehner v. Eisner & Mendelson Co., 179 U.S. 19 (1900).....15, 16, 20

Smith v. Sinclair Refining Co., 257 F.2d 328 (2d Cir. 1958)..... 24

Tracerlab, Inc. v. Industrial Nucleonics Corp., 204 F. Supp. 101 (D. Mass. 1962), *rev'd other grounds*, 313 F.2d 97 (1st Cir. 1963) 24

United States Fidelity and Guaranty Co. v. Black, 412 Mich. 99, 313 N.W. 2d 77 (1981)..... 25

Wagner v. Baird, 48 U.S. 233 (1849)..... 16

Wennerholm v. Stanford University School of Medicine, 20 Cal. 2d 713, 128 P.2d 522 (1942)..... 25

Whitman v. Walt Disney Productions, Inc., 263 F.2d 229 (9th Cir. 1958)..... 19

Window Glass Machine Co. v. Pittsburgh Plate Glass Co., 284 F. 645 (3d Cir. 1922), *cert. denied*, 261 U.S. 623 (1923)..... 19

PAGE

Rules and Statutes

Fed. R. App. P. 41(b) 3

Supreme Court Rule 23.1 7

28.1 i

15 U.S.C. § 1125(a) 2, 3

28 U.S.C. § 1254(1) 2

§ 1331 3

§ 1332 3

§ 1338 3

§ 1441(b) 3

Books

4 R. Callman, *The Law of Unfair Competition, Trademarks and Monopolies* (3d ed. 1970) 29

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Opinions Below

The opinion of the District Court is reported as *University of Pittsburgh v. Champion Products Inc.*, 529 F. Supp. 464 (W.D.Pa. 1982)(hereinafter "529 F. Supp. at ____") reproduced in the Appendix hereto, pp. 18a-26a. (Citations to the District Court opinion include paragraph numbers, for reference to the opinion as printed in the Appendix.) The opinion of the Court of Appeals was printed as slip opinion number 82-5081, filed August 12, 1982 (hereinafter "Slip Op.") reproduced in the Appendix, pp. 1a-17a. (Citations herein to "Slip Op." are accompanied by parallel citations to the Appendix as "App. at p.__".) The opinion of the Court of Appeals has not yet been reported.

Grounds of This Court's Jurisdiction

Champion seeks to review a judgment of the Court of Appeals for the Third Circuit dated and entered on August 12, 1982. Champion duly petitioned for rehearing, with suggestion of rehearing in banc, on August 26, 1982. This petition was denied in all respects by order dated and entered September 14, 1982. This Court has jurisdiction to review this case by writ of certiorari pursuant to 28 U.S.C. § 1254 (1).

Relevant Statute

This case involves § 43(a) of the Lanham Trademark Act, 15 U.S.C. § 1125(a), which provides:

> "Any person who shall affix, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation."

Statement of the Case

This is an action for unfair competition under § 43(a) of the Lanham Trademark Act, 15 U.S.C. § 1125(a). It also asserts

pendent claims under the laws of the State of Pennsylvania.[2] Pittsburgh seeks both injunctive relief and an accounting. After expedited full trial, the United States District Court for the Western District of Pennsylvania, Maurice B. Cohill, J., dismissed Pittsburgh's complaint on grounds of laches.[3] On appeal, the United States Court of Appeals for the Third Circuit reversed the District Court insofar as it had held that Pittsburgh's claims for prospective injunctive relief were barred by laches, and otherwise affirmed the judgment of the District Court.

On September 14, 1982, rehearing and rehearing in banc were denied. On September 24, 1982, the Court of Appeals stayed its mandate pursuant to Rule 41(b), Federal Rules of Appellate Procedure, pending the determination of the petition by this Court.

Statement of Facts

In or about 1933 or 1934, Champion developed and subsequently patented a special process known as "flocking" which, for the first time, made it commercially feasible and economical to manufacture soft goods (sports and leisure wear, including tee-shirts, sweat shirts, jackets, polo shirts and shorts) bearing school and college insignia on a mass scale.

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2 It is common ground that Pittsburgh's alleged state claims stand or fall on the same factual grounds as the Lanham Trademark Act claim. Slip Op. at 8 (App. at p. 7a);529 F. Supp. at 469, ¶ 4.

3 This action was removed on December 3, 1981 from the Court of Common Pleas of Allegheny County, Pennsylvania. The jurisdiction of the District Court was based on the removal statute, 28 U.S.C. § 1441(b) and on 28 U.S.C. § 1331, in that the action was founded on a claim arising out of the laws of the United States; on 28 U.S.C. § 1338, in that the claim arose out of the Lanham Act, 15 U.S.C. § 1125(a), relating to trademarks; and alternatively, on 28 U.S.C. § 1332, there being complete diversity of citizenship among the parties. The amount in controversy exceeds $10,000 exclusive of interest or costs.

In or about 1936, Champion began manufacturing, offering for sale and selling soft goods bearing certain words and designs to which Pittsburgh now claims exclusive rights (the "Pittsburgh insignia").

From 1936 to the present, Champion has sold soft goods bearing the Pittsburgh insignia continuously and in substantial quantities, with two minor interruptions. Beginning in or about 1936, and continuously in each year at least since 1946, Champion sold Pittsburgh insignia soft goods to persons not associated with Pittsburgh.

In particular, since in or about 1946, Champion has sold Pittsburgh insignia soft goods to Shea's Sporting Goods, a retail store located approximately a block from the center of the Pittsburgh campus but not affiliated with Pittsburgh. Shea, in turn, marketed these goods to the general public.

It is undisputed that during this entire period from 1936 up to December, 1980, Pittsburgh did absolutely nothing to give Champion notice that it claimed any right to prevent Champion from using the Pittsburgh insignia. It is also undisputed that Pittsburgh did not bring suit of any kind until December, 1981—a full 45 years after its alleged claim accrued.

At trial, Pittsburgh claimed that it had not taken any action for these 44 years because it had been unaware that Champion was selling Pittsburgh insignia soft goods to third parties at any time during that period. The District Court found this proffered excuse to be "inconceivable," as a matter of fact, for several reasons:

1. From 1960 through 1970, when Pittsburgh ceased selling such Pittsburgh insignia soft goods at its own book store in the City of Pittsburgh, such goods continued to be very much in evidence on the Pittsburgh campus. Thus, Pittsburgh could not have been unaware that such goods were being sold by third parties.

2. Also, from approximately 1960 on, the Pittsburgh campus newspaper carried prominent advertisements for Pittsburgh insignia soft goods by parties unaffiliated with Pittsburgh.

3. At least since 1946, Pittsburgh insignia soft goods were prominently displayed for sale on the shelves and in the windows of merchants in the City of Pittsburgh unaffiliated with Pittsburgh.

4. From 1950 to the present, Champion distributed printed catalogs to Pittsburgh and to university book stores and non-university affiliated stores throughout the country, displaying Pittsburgh insignia soft goods.

Argument

I

THE DISTRICT COURT PROPERLY EXERCISED ITS DISCRETION BY DISMISSING PITTSBURGH'S 45-YEAR OLD CLAIM

A. By Overturning the District Judge's Exercise of Dis cretion Where that Discretion Had Not Been Abused, the Court of Appeals Disregarded this Court's Holding in *National Hockey League*

In *National Hockey League v. Metropolitan Hockey Club, Inc.*, 427 U.S. 639 (1976), this Court squarely held that in a case where dismissal of an action rests within the District Judge's discretion, the Court of Appeals' scope of review is limited to two functions: First, the Court of Appeals determines whether or not the District Judge's findings of "historical facts" are clearly erroneous. 427 U.S. at 641. *Accord, Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, ___ U.S. ___, 102 S.Ct. 2182 (1982). Second, the Court of Appeals determines whether or not, given those historical facts, the order of dismissal was within the District Judge's discretion. 427 U.S. at 643. If the findings of historical facts are not clearly erroneous, and if the ultimate act of dismissal is not so far out of line as to amount to an abuse of discretion, the judgment of the District Court must be affirmed, whatever other thoughts, opinions or beliefs the Court of Appeals judges may hold on the matter. As this Court emphatically held in *National Hockey League*:

> "The question, of course, is not whether this Court, or whether the Court of Appeals, would as an original matter have dismissed the action; it is whether the District Court abused its discretion in so doing." 427 U.S. at 642.

The action of the Court of Appeals in this case was a blatant violation of the direct holding of *National Hockey League*. It is well settled that the dismissal of an equitable action on grounds of laches is a question committed to the sound discretion of the district court. *See, e.g., Czaplicki v. The Hoegh Silvercloud*, 351 U.S. 525, 534 (1956); *Gardner v. Panama Railroad Co.*, 342 U.S. 29, 30 (1951). The District Judge here made extensive findings of historical fact, based primarily on his careful evaluation of oral testimony. Here, as in *National Hockey League*, the Court of Appeals did not question any of the findings of historical fact which had been made by the District Court. 427 U.S. at 641. And here, as in *National Hockey League*, the Court of Appeals concluded by holding that the District Court should have applied a lesser sanction than outright dismissal, ignoring the fact that the choice of an appropriate sanction is within the discretion of the District Judge, not that of the Court of Appeals. Here, as in *National Hockey League*, the only justification given by the Court of Appeals was a vague statement of "insufficient evidence", 427 U.S. at 641. *See* Slip Op. at 12, n.19 (App. at p. 12a) ("we conclude as a matter of law that the evidence in this record does not support a finding of prejudice sufficient to support the laches determination").

How did the Court of Appeals for the Third Circuit manage to ignore a decision handed down by this Court on appeal from its own bench a mere six years ago? On page 10 of this opinion the Court of Appeals stated: "Finally, we note again that laches is an equitable doctrine addressed to the sound discretion of the district judge, whose determination we will not disturb absent an abuse of that discretion." Immediately thereafter, the Court stated that "it cannot be said on these facts that the District Court abused its discretion in barring Pitt's claim for an accounting for past infringement." But the

Court of Appeals, in its 19 pages and 24 footnotes of opinion, inexplicably refused to face the one remaining issue: Was the District Court's dismissal of Pittsburgh's claim for injunctive relief an abuse of discretion, or was it not?

B. The Court of Appeals' Reinstatement of Pittsburgh's 45-Year-Old Claim Was Not Simply Wrong as a Matter of Law, but Aberrational

The Court of Appeals' order in this case was made in direct disregard of a recent and controlling holding of this Court. But the Court of Appeals' holding is not merely wrong; it is so aberrational that it merits review and reversal by this Court.[4]

First, the Court of Appeals' gave its stamp of approval to a degree of unexcused delay—45 years—which has seldom been attempted by any litigant in any court, and to the best of counsel's knowledge, never countenanced by any court anywhere before. If the filing of a claim for injunctive relief which accrued in 1936 in the waning days of 1981 does not strike the Court of Appeals as "outrageous" delay, one can only wonder what would.

Second, the Court of Appeals simply ignored the one factor which, exercising his discretion as chancellor, the District Judge deemed most important: the relative credibility of the two parties, as they appeared to the District Judge in open court. The District Judge expressly found Champion's principal witness to be credible. Pittsburgh, on the other hand, brazenly persisted in adhering to a factual position which the District Judge found to be "inconceivable": that Pittsburgh had been unaware of Champion's sales of Pittsburgh insignia soft goods to third parties from 1936 until 1980. The Court of Appeals agreed that the evidence was "more than sufficient" for the District Court to find that Pittsburgh's claimed excuse for delay was "inconceivable", but it failed to give this factor any weight.

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4 It is respectfully suggested that this case, like *National Hockey League*, may be appropriate for summary disposition on the merits pursuant to Rule 23.1.

Third, the gravamen of the Court of Appeals' decision, stripped of its embellishments, was not that Champion had not been prejudiced by Pittsburgh's delay, but rather that Champion, although prejudiced, is so large a corporation that it would not be put out of business by an adverse decision in this action. Until this decision, no one had ever suggested that judgment could be entered against a defendant solely because it was big enough or solvent enough to absorb the judgment. Yet this is exactly what the Third Circuit has done.

Fourth, the Court of Appeals inappropriately confused consideration of the merits of Pittsburgh's purported claims with its review of the District Court's findings of laches. As the Court of Appeals correctly noted, it is quite likely that Pittsburgh has no claim at all, as a matter of law, irrespective of the defense of laches. Thus, the Court of Appeals notes that Pittsburgh has not presented a "classic trademark or unfair competition case" or established the elements of its claim "in the traditional sense." Slip Op. at 13-14 (App. at p. 12a). Yet the Court of Appeals refuses to tell the parties, the District Judge, or this Court just how this case differs from the "traditional" trademark case; such an explanation, it said, would amount to "delv[ing] into this fray." Slip Op. at 16 (App. at p. 15a).

If the Court of Appeals did "delve into this fray" it would have to conclude that Pittsburgh either did or did not have a claim as a matter of law. But the existence of the claim and the timeliness of it are distinct and independent issues; they are simply alternative grounds for dismissal of Pittsburgh's claim.

What is particularly disturbing about the holding of the Court of Appeals is its implicit reasoning that if a plaintiff's claim for injunctive relief presents a novel or interesting question of law to the appellate bench, the plaintiff need not satisfy the usual requirements of equity. Yet two hundred years of federal jurisprudence make clear that federal judges have neither the duty nor the power to decide even the most exciting, novel, interesting and momentous questions of federal law, unless properly presented in a case or controversy according to the rules and traditions of equity.

C. The Court of Appeals Improperly Ignored the Record and the District Court's Findings of Fact

The District Court unequivocally found that Champion began manufacturing and selling Pittsburgh insignia goods "[i]n or about 1936," 529 F. Supp. at 467, ¶¶ 13-15, and that it is "inconceivable" that Pittsburgh did not know of Champion's activities. *Id.* at 468, ¶ 21. In fact, the District Court found that from 1936 to 1960, and after about 1970, Pittsburgh was among Champion's customers. *Id.* at 467, ¶¶ 15, 18. The Court of Appeals nowhere suggested, nor could it suggest, that these explicit findings were without substantial evidentiary support. The District Court found that Pittsburgh's first objection to Champion's activities occurred in December, 1980, *Id.* at 468, ¶ 20, and the Court of Appeals did not disagree. *See* Slip Op. at 6 (App. at pp. 5a-6a).

Thus the Court of Appeals did not challenge the District Court's finding that Pittsburgh knew of Champion's activities, but did not object to them, for 44 years. Instead, the Court of Appeals offered an excuse for Pittsburgh's incredible delay:[5] Pittsburgh, the Court speculated, knew only of Pittsburgh-area sales by Champion before 1977; and such local sales were viewed by Pittsburgh as "*de minimus*," the court concluded, and thus preclude an accounting but not an injunction. Slip Op. at 11 (App. at p. 10a). These purported statements of fact are not independent—both must be true to excuse Pittsburgh's 44-year delay.

As to the first, the Court of Appeals said that "the district court did not find that Pitt officials had any knowledge of the existence or volume of sales outside of the Pittsburgh area before the 1977 Sugar Bowl game." Following that sentence, the court noted that

> "Champion presented testimony on this point, but the Court made no findings. The gist of Champion's argument is that Pitt-marked goods were advertised in catalogs distributed nationwide so that Pitt, whose bookstore

5 Delay, it is conceded by all, must be "unexcused" to invoke laches.

> received the catalog, was on notice of the scope of Champion's sales." Slip Op. at 11, n.17 (App. at p. 10a).

In light of the District Court's findings, this statement is simply inexplicable. First, squarely under the heading "Knowledge of Pitt," the District Court found that:

> "From 1950 to the present, Champion has printed catalogs which portrayed the full line of Champion products, including goods with the Pitt insignia. These catalogs were sent to the campus book store, as well as to university book stores and non-university affiliated stores across the country." 529 F. Supp. at 468, ¶ 23.

In addition, the court found at ¶ 34 that:

> "Champion has marketed its goods at trade shows sponsored by the National Association College Stores, which the Director of Pitt's book store attended."

Taking these explicit findings, as well as all other evidence (including demeanor evidence) before it, the trial court found it "inconceivable" that Pittsburgh did not know of Champion's activities. *Id.*, ¶ 21.

As to the second fact necessary to excuse Pittsburgh's 44-year delay, the Court of Appeals asserted that:

> "Pitt could well have felt that, so long as sales were largely confined to the Pittsburgh area, it would be likely that the university would become aware of quality problems or objectionable uses in due course and that the costs of litigation and damage to its ongoing business relationship with Champion made the volume of the infringement involved *de minimus*." Slip Op. at 11 (App. at p. 10a).

This purported fact is not supported by any of the District Court's findings, nor by any evidence in the record. Indeed, the "could well have" formulation reveals that the Court of Appeals

> "made no reference to the evidence, but . . . indulged in the assumption that it was natural to suppose that the long-continued existence and development of the defendant order had not been interfered with by the complainant corporation because not known until the defendants came into the open by making an application to be made a domestic corporation of Georgia. The facts, however, . . . were not disputed in any particular . . . ." *Creswill v. Knights of Pythias*, 225 U.S. 246, 262 (1912).[6]

As in *Creswill*, the evidence here is undisputed: testimony from both sides showed that Pittsburgh made no effort to stop Champion's activities because until about 1977 Pittsburgh did not consider that it had any right to stop Champion's activities. The idea to apply for trademark registration of the Pittsburgh insignia on soft goods, for instance, did not occur to Pittsburgh until 1977 or after. Slip Op. at 6 (App. at p. 5a); 529 F. Supp. at 466, ¶ 7. The Court of Appeals' supplying a speculative excuse for Pittsburgh's remarkable delay is especially egregious because it was Pittsburgh's burden to prove an excuse for its 44-year inaction. *Gruca v. United States Steel Corp.*, 495 F.2d 1252, 1259 (3d Cir. 1974). *See* Slip Op. at 13, n.19 (App. at p. 12a).

But wholly aside from the plain factual fallacy of the Court of Appeals' excuse for the 44-year delay, the excuse offered is inadequate as a matter of law. The Court of Appeals' assumption, that "Pitt could well have felt . . . the university would become aware of quality problems . . . and that the . . . damage to its ongoing business relationship with Champion outweighed the benefits," entirely misconceives the central purpose of trademark law. A trademark is to serve as a designation of its user as a product's source, origin, or sponsorship, and is protected and protectable against use by others—all use, not merely use on poor quality or distasteful

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6 *Creswill* is a case remarkably like the present one. There, the plaintiff was shown to have delayed 26 years while the defendant's non-fraudulent activities continued. It is submitted, pp. 16-17, 20, *infra*, that *Creswill* controls this case.

goods. Pittsburgh's rights, if any, were to prevent use of the Pittsburgh insignia at all. If the quality of the allegedly infringing use were the controlling fact, Pittsburgh would have no case at all.[7] Thus the beginning of Champion's "adverse" use, for laches purposes, has nothing to do with Pittsburgh's supposed belief that it would detect poor quality goods. Quality control of licensees' products is indeed a necessary element of protecting one's trademark rights. But to protect those rights, one must assure quality control in advance, by licensing contract revocable by the licensor upon lapse in quality by the licensee.[8] An infringement is not less so because it is of high quality.

Similarly irrelevant is the supposition that Pittsburgh felt the costs of suing outweighed the benefits. Even were this the case, it amounts to no more than a calculation that the costs to Pittsburgh of keeping its rights outweighed the costs of losing them. If Pittsburgh's failure for 45 years to assert the rights it now claims was based on a business analysis of costs and benefits, then it must be that among the costs of its decision was the loss of the rights it valued so little for 45 years. Even if the supposed expense of litigation were a legally cognizable excuse for endless delay, that would not explain why Pittsburgh

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7 The District Court found at some length that Champion's reputation and good will are exceptional, as is the quality of its products. *See especially,* 529 F. Supp. at 468, ¶¶ 26, 28, 30.

8 The Court of Appeals asserts its statement of facts that

> "Pitt maintains that Shea's had an informal license agreement with the University to sell insignia goods to campus organizations but that Pitt had no knowledge of and never approved any other distribution of Pitt insignia goods." Slip Op. at 5 (App. at p. 4a).

In fact, Pittsburgh has never so maintained, the record is devoid of evidence to that effect and the District Court clearly found to the contrary. The District Court plainly found that Champion sold Pittsburgh insignia goods in and around Pittsburgh, to customers including but not limited to Shea's and Pittsburgh itself, continuously from 1936, 529 F. Supp. at 467, ¶¶ 13-15; and that Shea's continuously sold to the public at large. *Id.*, ¶ 17. Pittsburgh knew of such sales. *Id.* at 468, ¶¶ 21, 22. None of these findings was overturned by the Court of Appeals.

delayed 44 years even to give Champion notice of its alleged rights.

Finally, the Court of Appeals sought to alleviate the impact of Pittsburgh's 45-year delay by asserting that:

> ". . . the character and scope of the alleged infringement changed substantially over the years from a modest program of sales to students and local adherents of the university to a program of national sales aimed at servicing and capitalizing upon Pitt's emergence as a national football power." Slip Op. at 12 (App. at pp. 10a-11a).

Later, the court asserted that "[t]he mid-1970s marked a period of dramatic success and increased national exposure for the Pitt football team," with a footnote about the hiring of coach Johnny Majors and his strategy. *Id.* at 5, n.8 (App. at p. 5a).

The Court of Appeals' analysis rests on the assumption that Pittsburgh was never a nationally preeminent football power before the mid-1970s. This is indisputably not the case: according to an exhibit (PX 54) introduced at trial by Pittsburgh, the Pittsburgh football team won three national championships before 1929, plus five in 1929, 1931, 1934, 1936 and 1937. The team played in the 1937 Rose Bowl, the 1955 Sugar Bowl, and the 1956 Gator Bowl. In 1963, the team ranked third in the country. Clearly, the steady expansion of Champion's sales from 1936 to 1980 was due to increasing popularity of insignia soft goods (largely due in turn to Champion's efforts), and not to any rise in Pittsburgh's football prowess.[9] Because Champion for 44 years exercised aggressive entrepreneurial efforts, constantly seeking new markets and new customers; and because it was those efforts and not Pittsburgh's that account for Champion's expansion from the pioneer in insignia goods to

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9 In fact, it is the insignia soft goods industry as a whole that has grown, largely due to Champion's pioneering efforts. 529 F. Supp. at 468, ¶ 25.

the leader in a now vast field, the circumstances of the 1977 Sugar Bowl is entirely irrelevant.

It is plain, as the District Court found, that Pittsburgh was aware of Champion's sales from 1936, that Pittsburgh was aware at least from 1950 that Champion's marketing and sales were nationwide, and that despite such knowledge, Pittsburgh inexcusably failed to assert its alleged rights until 1980. The length of Pittsburgh's inexcusable delay was, without doubt, 44 years.

D. As Even the Court of Appeals Recognized, Pittsburgh's 45 Years of Delay Created a Presumption of Prejudice Sufficient to Sustain the Defense of Laches

There appears to be no reported case in which a plaintiff was able to enjoin activities it had known of for 45 years. Indeed, the Court of Appeals for the Third Circuit, referring to a delay of 31 years,[10] once said "we have found no case in which injunctive relief was granted after an inexcusable delay for a comparable period of time." *Anheuser-Busch, Inc. v. DuBois Brewing Co.*, 175 F.2d 370, 374 (3d Cir. 1949), *cert. denied*, 339 U.S. 934 (1950). Obviously, given a non-fraudulent use as in *Anheuser-Busch*,[11] and given an inexcusable delay thirteen years longer than that in *Anheuser-Busch*, the rationale and result of *Anheuser-Busch* must apply *a fortiori* in this case.[12]

Of course, a Court of Appeals is free to reverse its own decisions. But other circuits have established standards for

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10 Although the Court of Appeals in this case referred to the delay in *Anheuser-Busch* as one of 40 years, Slip Op. at 12 (App. at p. 10a), the *Anheuser-Busch* panel plainly considered that the subject delay was the 31 years from 1909 to 1940. *See Anheuser-Busch*, *supra*, 175 F.2d at 374.

11 The Court of Appeals and the District Court properly dismissed Pittsburgh's allegations of fraud. Slip Op. at 9, n.15 (App. at p. 8a); 529 F. Supp. at 468-9, ¶¶ 28-35.

12 In *Anheuser-Busch*, the court did not merely affirm a lower court's exercise of discretion in denying an injunction, but instead actually reversed granting of an injunction. If the grant of an injunction was an abuse of equity under those circumstances, it is more so here.

laches at odds with the instant decision. More important, the result and rationale of *Anheuser-Busch* were compelled by decisions of this Court which remain valid.

The Court of Appeals relied on *Menendez v. Holt*, 128 U.S. 514 (1888), for the proposition that

> "[w]here consent by the owner is to be inferred from his knowledge and silence merely, 'it lasts no longer than the silence from which it springs; it is, in reality, no more than a revocable license.' 128 U.S. at 524 (citing cases)." Slip Op. at 9 (App. at p. 8a).

It is inexplicable that the Court would quote so blindly out of context in the same breath as it quite properly held that Pittsburgh quoted *Menendez* out of context. *See id.*, n.15. *Menendez* involved a fraudulent infringer—one who uses another's mark intending to induce the public to buy the imitator's product in the belief that it is the original. *See Menendez, supra*, 128 U.S. at 524-25. The Court of Appeals properly rejected Pitsburgh's heavy reliance on the shorthand definition of fraud as taken "out of context," Slip Op. at 9, n.15 (App. at p. 8a), but entirely forgot that its own quotation of *Menendez* regarding acquiescence was in the context of a fraudulent infringement. There is no fraudulent infringement here. 529 F. Supp. at 468-9, ¶¶ 28-35; Slip Op. at 9, n.15 (App. at p. 8a).

That the rationale of *Menendez* was limited to cases of fraud was plainly demonstrated in later Supreme Court cases. In *Saxlehner v. Eisner & Mendelson Co.*, 179 U.S. 19 (1900), the defendant used a product name, and a bottle and label design similar to that used first by the plaintiff. The name was used for twenty years by defendant without intention to deceive the public, but the bottle design and label design were copied, for ten years, with the intent to deceive the public. The defense of laches was based on the plaintiff's "knowledge and silence merely."[13] In a discussion of the *Menendez* rule, this Court held

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13 In fact, *Saxlehner* clearly shows that a plaintiff is charged not only with what he does know, but what he reasonably should know. There,

that silence without more for twenty years[14] barred an injunction against use of the name (which was non-fraudulent), but that silence without more for ten years would not bar an injunction against use of the bottle design and label design, because such use was fraudulent. *Saxlehner, supra*, 179 U.S. at 38-40. This Court could not have been plainer that the rule of *Menendez* and the results in *Saxlehner* turned on the existence, or not, of fraud. 179 U.S. at 39.

By the time of the decision in *Creswill v. Knights of Pythias*, 225 U.S. 246 (1912), this Court did not even find it necessary to cite *Menendez*. In *Creswill*, the plaintiff was silent while the defendant's non-fraudulent use continued for 26 years. This Court's decision was reached without any discussion of prejudice to the defendant by the long delay; it was, in other words, a case of "knowledge and silence merely."[15] Slip Op. at 9 (App. at p. 8a), quoting *Menendez*.

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since the Hungarian plaintiff sold his product (Hungarian bitter water) in the United States, "he should have instituted inquiries" to determine whether and to what extent his competitors were doing so. *Saxlehner, supra*, 179 U.S. at 36. The same could be said for the period of Pittsburgh's claims of ignorance of Champion's activities.

14 The significance of the twenty-year delay is well-rooted in traditional equity. Chief Justice Taney held that "[a] delay of twenty years is considered an absolute bar in a court of equity, unless it is satisfactorily accounted for." *Maxwell v. Kennedy*, 49 U.S. 210, 220 (1850). His statement that "the creditor who claims its [equity's] aid must show that he has used reasonable diligence to recover his debt," *id.*, places the proper perspective on Pittsburgh's immense delay here. *See also Wagner v. Baird*, 48 U.S. 233, 257-59 (1849) ("Length of time . . . operates by way of presumption in favor of the party in possession.* * * [T]he lapse of time in the present case [i.e., 46 years] is a complete bar to the relief sought"). *See also Elmendorf v. Taylor*, 23 U.S. 67, 76 (1825), cited in *Russell v. Todd*, 309 U.S. 280, 287-88 (1940).

15 *Creswill* (like *Anheuser-Busch*, see footnote 12, p. 14, *supra*) involved a reversal of a lower court's grant of injunction against non-fraudulent use after 26 years of silence as an abuse of equitable discretion.

That was clearly the understanding of the Court of Appeals in *Anheuser-Busch*, *supra*. Faced with the plaintiff's 31-year delay in asserting its claim, the court said that under the rule in *McLean v. Fleming*, 96 U.S. 245 (1878),[16] the plaintiff needed affirmative answers to two questions to obtain an injunction: whether the plaintiff's delay was merely a matter of laches, and whether the defendant's conduct was fraudulent. *Anheuser-Busch*, 175 F.2d at 374. The court found no fraud. *Id.* at 376-77.

In considering the first question, whether the plaintiff was guilty of "mere laches" or of something more, the court assumed *arguendo* that the defendant's use was fraudulent. Nonetheless, the court said that even a fraudulent infringer would not be enjoined after extreme delay, and the court hypothesized a delay of 100 years to prove its point. As to the subject delay of 31 years, the court said, this is "not merely a matter of laches; [the plaintiff] has been grossly remiss." *Id.* at 374. Thus the court squarely rejected the dissenting judge's view of *McLean* and *Menendez*, that "mere lapse of time is not sufficient to constitute laches as precluding an injunction." 175 F.2d at 377. *Anheuser-Busch* stands directly for the proposition that "gross" (as opposed to "mere") lapse of time, such as 31 years, without any showing of prejudice, bars all relief in equity against even fraudulent use.

The Court of Appeals in this case sought to distinguish the decision in *Anheuser-Busch* by referring to the existence in that case of facts creating an estoppel against the plaintiff. Slip Op. at 11-12 (App. at pp. 10a-11a); *see* 175 F.2d at 374-76. However, it is clear in context that the *Anheuser-Busch* court was holding in the alternative two ways that the plaintiff was guilty of something more than "mere" laches. The first alternative was the extremity of the delay, and the second was the estoppel. It is clear from the statement that "moreover, we need not rest our decision upon the time factor alone," that the court intended that the "time factor alone," while sufficient to support the result, was not the only support for that result.

16 *McLean* was the predecessor case to *Menendez*, and was reaffirmed therein.

The rule of *Anheuser-Busch* applies *a fortiori* to this case. If a delay of 31 years, without more, would preclude injunctive relief against even a fraudulent infringer, a delay of 34 years, without more,[17] must preclude Pittsburgh's attempt to enjoin Champion's non-fraudulent use.

As was acknowledged above, the Third Circuit is certainly free to overrule its own precedents. Here, however, that overruling brings it into clear conflict not only with Supreme Court authority, but with the rules of laches as established by a number of other circuit courts of appeals.

The Court of Appeals' opinion in the leading case in the Ninth Circuit begins from the premise that "[e]quity frowns upon stale demands." *Gillons v. Shell Co. of California*, 86 F.2d 600, 609 (9th Cir. 1936), *cert. denied*, 302 U.S. 689 (1937). After tracing the law of laches through English precedents and decisions of this Court, the *Gillons* court quoted this Court's citation of Justice Story on equity:

> "But there is a defense peculiar to courts of equity, founded on lapse of time and the staleness of the claim, where no statute of limitations directly governs the case. In such cases courts of equity often act upon their own inherent doctrine of discouraging, for the peace of society, antiquated demands, by refusing to interfere where there has been gross laches in prosecuting rights, or long acquiescence in the assertion of adverse rights. (2 Story, Eq. § 1520.)" 86 F.2d at 609.

In distinguishing reasonable from unreasonable delay, the *Gillons* court relied on two decisions in the Third Circuit:

> " 'In courts of equity the rule is to withhold relief where there has been unreasonable delay in prosecuting a

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17 As in *Anheuser-Busch*, the contentions here are in the alternative: Pittsburgh's delay was so egregious as to preclude all relief without anything more, but that if prejudice to Champion need be shown, it was shown, and the District Court so found. *See* Section E, *infra*, pp. 20-30.

> claim. . . . [N]othing can call into activity a court of equity but "conscience, good faith, and reasonable diligence." [Cases cited.]' " 86 F.2d at 610, quoting *Prince's Metallic Paint Co. v. Prince Mfg. Co.*, 57 F. 938, 944 (3d Cir. 1893).
>
> " 'In its [i.e., laches'] application courts recognize the general rule that . . . mere delay, unaccompanied by anything else, will not ordinarily bar a suit *for injunction* against a naked infringer. [Cases cited.] But they also recognize a distinction between mere delay and unreasonable delay. . . .' " 86 F.2d at 610, quoting *Window Glass Machine Co. v. Pittsburgh Plate Glass Co.*, 284 F. 645, 650 (3d Cir. 1922), *cert. denied*, 261 U.S. 623 (1923).

The validity of the rule adopted for the Ninth Circuit in *Gillons* was reaffirmed 23 years later:

> [We affirm that while] "mere delay may not constitute laches but unreasonable or unexplained delay may." *Whitman v. Walt Disney Productions, Inc.*, 263 F.2d 229 (9th Cir. 1958).

The Second Circuit rule is similar. In *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492 (2d Cir.), *cert. denied*, 368 U.S. 820 (1961), a non-fraudulent user of a name similar to the plaintiff's was not enjoined because plaintiff had delayed ten years before making any claim against the defendant. Judge Friendly's opinion required no finding of prejudice to the defendant by the delay, nor of detrimental reliance on it.

The *Polaroid* decision has been explained by the California Court of Appeal as turning on the length of plaintiff's delay there:

> "The equities there [in *Polaroid*] weighed heavily in favor of a bar as a result of the very long delay.
>
> "The two-year delay here does not act to bar the action as a matter of law but can be considered as only one of

the equitable considerations." *California Western School of Law v. California Western University*, 178 Cal. Rptr. 685, 687, 125 Cal. App. 3d 1002, 1007 (4th Dist. 1981).

Joining the Second, Ninth, and (until the current decision) the Third Circuits is the Seventh Circuit, which barred a claim for trademark infringement and unfair competition because of plaintiff's silence over 16 years. *Safeway Stores, Inc. v. Safeway Quality Foods, Inc.*, 433 F.2d 99 (7th Cir. 1970). In so holding, the Court of Appeals neither required a showing of prejudice to the defendant nor made a finding of such prejudice.

The Third Circuit Court of Appeals, by overturning its own precedents, has placed itself in conflict with the law of at least three other circuits. But more troublesome, of course, the Court of Appeals ignored the clear authority of this Court's decisions in *Creswill* and *Saxlehner*. Attention to those precedents would have prevented the court's misconstruction of *Menendez v. Holt*.

E. In Any Event, Champion Amply Proved Prejudice

Even if an unexplained and unexcused delay of 45 years were not enough to preclude injunctive relief without a showing of prejudice to Champion caused by that delay, Champion's defense of laches was adequate as a matter of law. In holding otherwise, the Court of Appeals made improper, incorrect, and unsupported assumptions of fact, and ignored generally accepted rules of federal law.

The discussion can begin with the premise that, given a delay by the plaintiff greater than the applicable or analogous statute of limitations, "the burden of proof shifts to the plaintiff to prove the absence of such prejudice to the defendant as would bar all relief." Slip Op. at 9-10 (App. at p. 9a), citing *Gruca v. United States Steel Corp.*, 495 F.2d 1252, 1258-59 (3d Cir. 1974); *Burke v. Gateway Clipper Inc.*, 441 F.2d 946, 949 (3d Cir. 1971). *See General Electric Company v. Sciaky Bros., Inc.*, 304 F.2d 724, 727 (6th Cir. 1962) (delay of "nearly ten

years," which was "unreasonable, inexcusable and unexplained," created a presumption of prejudice to the defendant); *Gillons v. Shell Co. of California*, 86 F.2d 600, 608 (9th Cir. 1936), *cert. denied*, 302 U.S. 689 (1937) (adopting "analogous" statute of limitations of six years to raise presumption of prejudice to the defendant); *McGrath v. Panama Railroad Company*, 298 F. 303 (5th Cir. 1924) (equity adopts legal statute of limitations by analogy).

The presumption of prejudice to Champion raised by Pittsburgh's 45-year delay means that absent any evidence on either side of the issue, Champion would have prevailed. Furthermore, it is established that the party bearing the burden of proof must produce evidence-in-chief, and cannot rely solely on impeachment and cross-examination of the opponent's witnesses. *Dyer v. MacDougal*, 201 F.2d 265, 269 (2d Cir. 1952). Here, Champion presented substantial uncontroverted evidence on prejudice, and Pittsburgh presented none. The District Court thus found, although it could have invoked the presumption alone, that Champion would be prejudiced by Pittsburgh's 45-year old claim:

> "f. Reliance by Champion.
>
> "25. Champion has borne the risk of building the insignia soft goods business. Through the years, Champion's salesmen have called on and tried to enlist drugstores, men's wear stores, variety stores and book stores as outlets for its soft wear.
>
> "26. Champion maintains quality control on the goods that it manufactures and distributes, with respect to both the materials involved and the imprinting process.
>
> "27. Champion has an extensive creative art department for the development of graphics and designs that are used to respond to competitive pressures for new fashipn requirements. Champion artists have developed the designs over the years and are constantly modifying them to meet consumer demands." 529 F. Supp. at 468.

In addition, the court made other findings of fact demonstrating reliance by Champion to its prejudice on Pittsburgh's inaction:

> "12. Champion constantly changes the styles and designs it offers. Champion introduces a new full line and a new spring line every year, and prepares and distributes corresponding catalogs to universities and secondary schools throughout the United States.
>
> "19. Relying on Pitt's cessation of the sale of soft goods at the book store in 1960, Champion, through Mr. Friedland, increased its efforts to find, and was successful in finding, new retailers, not affiliated with Pitt, in the Pittsburgh metropolitan area.
>
> "28. Champion's labels and packaging clearly identify Champion as the source and origin of the goods. Champion's trademarks are well-known and the goodwill connected therewith has been built up over the years of Champion's existence.
>
> "29. For many years Champion's marketing of soft goods containing insignia or other identification of colleges or universities has been presented as a total line.
>
> "30. Champion has built up substantial goodwill in the business of selling soft goods bearing college or university insignia. Champion has a sales force of between 100 and 125 salesmen who serve more than 10,000 accounts.
>
> "37. The impetus for the use and large scale selling of soft goods with Pitt insignia came with the patent of the silk screen process by Champion and the assignment of Mr. Friedland as Champion salesman in the Pittsburgh area." *Id.* at 466, 467, 468, 469.

Only given a holding that each one of those ten findings of fact was clearly erroneous or legally irrelevant,[18] ***and*** a holding that

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18 The Court of Appeals only recognized three findings of fact as being related to prejudice. Slip Op. at 12-13, n. 19 (App. at pp. 11a-12a). As

Pittsburgh had sustained its burden of demonstrating lack of prejudice, thus rebutting the presumption of prejudice, could the Court of Appeals properly reverse the District Court's finding that prejudicial reliance existed.

It is to be noted that the Court of Appeals provokes suspicion, at least, of failure to hold that Pittsburgh sustained its burden of proving lack of reliance, by its use of such phrases as "[i]t is . . . equally beyond question that," Slip Op. at 14 (App. at p. 13a); "[i]t may be that," *id.*, n.20 (App. at p. 13a); and "Pitt could well have felt that," *id.* at 11 (App. at p. 10a). Each of these speculative introductions is followed by a purported factual statement which is critical to the court's analysis, and which is entirely unsupported by the record—and in fact, is contrary to the record.

Ultimately, Champion's unrebutted showing of prejudice has three elements: *first*, Champion built up a business by investment and entrepreneurial efforts, including the valuable goodwill of the public at large; *second*, aside from its own business, Champion pioneered, developed, and still leads an entire industry that would not exist at all largely but for Champion's efforts, and Pittsburgh's silence for 44 years thus amounted to an abandonment of whatever rights it may have had; and *third*, Pittsburgh's conduct amounted to more than inaction and delay, but to acquiescence in and encouragement of Champion's activities. All three elements are substantially supported by evidence in the record and thus must have been overcome by preponderant evidence to the contrary in order for the Court of Appeals' result to be correct. As already

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demonstrated *infra*, pp. 24-30, the other findings were relevant to the issue and could not properly be ignored.

The Court of Appeals did not assert that any but one of the ten cited findings were legally irrelevant. See Slip Op. at 13, n.19 (App. at p. 12a). As to the other nine, insofar as it considered them, the court held that "as a matter of law . . . the evidence in this record does not support a finding of prejudice sufficient to support the laches determination." *Id.*

noted, Pittsburgh offered no evidence to disprove prejudice to Champion.

1. Champion built its business from nothing to a major corporation during the 44 years of Pittsburgh's silence.

The Court of Appeals does not dispute that Champion not only dramatically built up its own business from 1936 to 1980, but also "created, developed and expanded the imprinted soft-goods industry. . . ." Slip Op. at 13 (App. at p. 12a). This is the classic form of prejudice caused by long delay, and the Court of Appeals did not suggest otherwise. Slip Op. at 12-14 (App. at pp. 11a-12a). *See e.g. Carter-Wallace, Inc. v. Proctor & Gamble Company*, 434 F.2d 794 (9th Cir. 1970) (affirming the District Court's findings of fact and conclusions of law regarding laches); *Smith v. Sinclair Refining Co.*, 257 F.2d 328 (2d Cir. 1958) (defendant spent $31,600 on capital improvements); *Tracerlab, Inc. v. Industrial Nucleonics Corp.*, 204 F. Supp. 101 (D. Mass. 1962), *rev'd other grounds*, 313 F.2d 97 (1st Cir. 1963) (previously small company borrowed capital and built business of millions of dollars). Thus Champion's "position" is more than "rhetorically attractive," Slip Op. at 12-13 (App. at p. 12a), it is indisputably a correct statement of the law. In Judge Learned Hand's classic phrase, a plaintiff must assert his claims early, "lest they be made the means of reaping a harvest which others have sown." *Dwinell-Wright Co. v. White House Milk Co.*, 132 F.2d 822, 825 (2d Cir. 1943), quoted by Judge Friendly in *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492, 497-98 (2d Cir.), *cert. denied*, 368 U.S. 820 (1961).

Conceding all of this, the Court of Appeals contended that because it is Champion's business to make soft goods with the insignia of about 10,000 different schools and colleges, the reliance on any one school's inaction was not the basis for Champion's entire business, and the loss of any one school's insignia would not deprive Champion of its entire business. Slip Op. at 16-17 (App. at pp. 15a-16a).

Unfortunately, the Court of Appeals entirely misconceived Champion's position in the industry. First, it seems a bizarre statement to say that if only one university were silent, Champion would be free to use that university's insignia, but if all universities were silent, Champion could be prevented from using any university's insignia. It is in order to eliminate such a result that the law of reliance does not require that the reliance be on one cause alone in order to be recognized. In cases of fraudulent misrepresentation, for instance, it is plain that reliance on conduct of many does not preclude an action based on the conduct of one of those persons. *E.g.*, *United States Fidelity and Guaranty Co. v. Black*, 412 Mich. 99, 313 N.W.2d 77, 86-87 (1981); *Wennerholm v. Stanford University School of Medicine*, 20 Cal. 2d 713, 128 P.2d 522, 524 (1942) (citing case and treatise authority).

Logically, this rule must apply even more strongly when reliance is upon collective silence and inaction. The fact that no one in the industry, including the universities and schools themselves, took action or asserted claims against Champion until the last few years must be chargeable against each institution which would now seek to benefit from Champion's long-standing ability to produce a complete line of university goods.

It is that ability to present a "total line" that is the second basic way in which the Court of Appeals misconceived Champion's position in the industry. The insignia goods industry has become, over the decades, a strongly competitive business. One of Champion's hallmarks has been its capacity to take to a customer a "total line" of goods—presenting for the customer's selection an assembly that includes any insignia he might want. 529 F. Supp. at 467, 468, ¶¶ 12, 27, 29. The good will Champion has developed, and which the District Court expressly noted, *id.* at 468, ¶¶ 28, 30, is based in large part on its ability to present such a complete line. A gap in that line such as Pittsburgh seeks to create by this suit, damages Champion and its goodwill in more than a rhetorical sense. The loss of "Pitt's marks in particular" would be a loss

extending well "beyond existing inventory", Slip Op. at 18 (App. at p. 17a), to the loss of the completeness of its line of goods. When this loss is compounded by the prospect of others in Pittsburgh's position bringing similarly stale claims, the prejudice to Champion is extreme. It is that very prospect which requires that prolonged inaction by many must preclude claims by any of them just as absolutely as inaction by one precludes claims by that one.

2. Champion "created, developed and expanded" and still leads an entire industry that would not exist at all largely but for Champion's efforts.

The District Court found that "Champion has borne the risk of building the insignia soft goods business." 529 F. Supp. at 468, ¶ 25. In particular, the court found, Champion invented and patented the method by which mass production of insignia soft goods was first possible. *Id.* at 466, ¶ 8. In addition, the record shows, the Court of Appeals granted all of this, but argues that Champion's and indeed the entire industry's success is "a direct result of the efforts of Pitt to make its name widely known. . . . The entire impetus for the sale is the consumer's desire to identify with Pitt. . . ." Slip Op. at 14 (App. at p. 13a). It is not surprising that this assertion by the Court of Appeals includes no citation to the record, because the record contains not a shred of evidence to that effect. Indeed, in light of the substantial evidence to the contrary, the District Court expressly found that the "impetus" at issue here came from Champion, not from Pittsburgh. 529 F. Supp. at 469, ¶ 37.

The only support the Court of Appeals offered for its assertion was that "consumer demand [for Pittsburgh insignia soft goods] increased in direct proportion to Pitt's football fortunes." Slip Op. at 18 (App. at p. 16a). As noted *supra*, pp. 13-14, this assessment is incorrect. The popularity of Pittsburgh insignia goods grew steadily over the decades, as did insignia soft goods in general. The record is undisputed that Pittsburgh's football team enjoyed national preeminence in

and before the 1930s, and again in the 1950s and 1960s. The 1977 Sugar Bowl was not an emergence, but at most a resurgence.

This fact demonstrates that there is neither a logical nor a historical connection between Pittsburgh's football prowess and the popularity of Pittsburgh insignia soft goods. There is substantial support in the record, however, for the proposition expressly and inexplicably rejected by the Court of Appeals when it said that popularity of an insignia, achieved "for whatever reason," was "entirely unrelated to any effort by Champion." Slip Op. at 17 (App. at p. 16a). This assertion is not only not "beyond question," Slip Op. at 14 (App. at p. 13a), it is unsupported and unsupportable.

Champion initially made insignia soft goods practical on a large scale. Universities and sports teams have been popular for centuries, but the expression of that popularity by wearing an insignia on one's clothes is unique to this century. Indeed the popularity of such apparel as tee-shirts, with or without insignia, is a recent phenomenon—one for which the trial record here gives substantial credit to Champion. Pittsburgh can indeed take due credit for its large following and for that of its football team, but the evidence and the trial court's findings give Pittsburgh none of the credit for developing the fashion or public proclivity for expressing loyalty or affection for a university by emblazoning its casual wear with that university's insignia. It may be that "Champion can seize upon the popularity of anyone or anything," Slip Op. at 17 (App. at p. 16a), but where Champion bore the risk of creating that popularity, as with university insignia soft goods, no one wishing to claim against Champion should be allowed to wait 45 years before doing so. Thus Champion has done much more in the soft goods industry than "merely [to] package[ ] and exploit[ ]." Slip Op. at 18 (App. at p. 17a). The District Court's finding of laches must be upheld lest Pittsburgh reap a harvest where Champion has sown.

3. Pittsburgh's conduct constituted not only inaction and delay, but estoppel, consent and affirmative encouragement of Champion's activity.

Although the District Court did not in so many words find consent, encouragement, or estoppel in Pittsburgh's conduct, it did make findings of fact relevant to these issues:[19]

> "From about 1936 to 1960, Champion sold its soft goods bearing the Pitt insignia to the main University book store located on the Pitt campus. During that same period of time, Champion sold Pitt insignia software continuously to others not affiliated with Pitt.
>
> "In or about 1960, Pitt representatives told Mr. Friedland that soft goods, including Champion's products, would no longer be sold in the campus book store. Rather, the book store was restricting its sales to products directly tied to Pitt's educational program. This policy continued at least until 1970. Pitt now sells to the order of individual customers T-shirts that are 'decorated' through the application of 'heat transfers.'
>
> "Relying on Pitt's cessation of the sale of soft goods at the book store in 1960, Champion through Mr. Friedland, increased its efforts to find, and was successful in finding, new retailers, not affiliated with Pitt, in the Pittsburgh metropolitan area.
>
> "Champion has marketed its goods at trade shows sponsored by the National Association College Stores, which the Director of Pitt's book store attended."

529 F. Supp. at 467, 468, ¶¶ 15, 18, 19, 34.

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19 There was additional support in the record. Given that support, and given the presumption of prejudice to Champion, the Court of Appeals was obligated not to reverse the lower court's finding of such prejudice. This is particularly so because the Court of Appeals' reversal on this point was based on speculation, not on the record.

Pittsburgh indisputably bought Pittsburgh insignia soft goods from Champion from 1936 to 1960, and again after about 1970. Pittsburgh does not claim to have instructed Champion not to sell elsewhere, and the District Court, as noted *supra*, p. 9, found that Pittsburgh knew of other sales. Nor does Pittsburgh allege assurances by Champion that it would not sell elsewhere. In such a context, it is clear that Pittsburgh's dealings with Champion constituted approval, consent, and encouragement of Champion's activities. *Borg-Warner Corp. v. York-Shipley, Inc.*, 127 U.S.P.Q. 42 (N.D. Ill. 1960), *mod. other grounds*, 293 F.2d 88 (7th Cir.), *cert. denied*, 368 U.S. 939 (1961) (where plaintiff occasionally bought from defendant over 25 years, and they had hundreds of dealings during that time, claim barred by gross laches, acquiescence, bad faith, unclean hands, and estoppel). "[I]f the parties are dealing with each other, or are in a continuing contractual relationship, the defendant has good reason to assume he has the plaintiff's consent." 4 R. Callman, *The Law of Unfair Competition, Trademarks and Monopolies*, 143 (3d ed. 1970). In addition to Pittsburgh's purchases from Champion, the trial court found that Pittsburgh officials attended national trade shows at which Champion displayed and marketed its goods. Attendance and failure to object under such circumstances must in equity be consent.

Pittsburgh's witnesses admitted that they had not thought of the Pittsburgh insignia as property, specifically trademarks, until about 1977. It is plain that "[a]n erroneous impression of one's legal rights is not a sufficient excuse for delay." 4 Callman, *supra*, 137. It is equally plain that such a prolonged absence of a claim of right is not mere inattention to rights, but instead "constitute[s] a virtual abandonment" of any rights. Slip Op. at 9 (App. at p. 8a).

Finally, the District Court explicitly found reliance by Champion on Pittsburgh's "cessation of the sale of goods at the [Pittsburgh] book store in 1960." 529 F. Supp. at 467, ¶ 19. Champion undertook in and after 1960 to replace the substantial business it lost by increasing its sales efforts elsewhere.

Even assuming that Pittsburgh had any right to stop sales by Champion before 1960, the cessation of Pittsburgh's sales, by posing the choice to Champion of a substantial loss of Pittsburgh area sales or the replacement of those sales by renewed efforts, constituted Pittsburgh's last clear chance to assert that right.

CONCLUSION

WHEREFORE, it is respectfully requested that this petition for certiorari be granted.

Dated: New York, New York
October 21, 1982

Respectfully submitted,

PAUL J. WEINER
BREED, ABBOTT & MORGAN
Citicorp Center
153 East 53rd Street
New York, New York 10022
(212) 888-0800

Counsel for the Petitioner, Champion Products Inc.

ADRIAN V. WHITE
CHARLES R. FRASER

Of Counsel

WILLIAM H. HAUSER
ANDERSON, MORELAND & BUSH
26th Floor, Centre City Tower
Pittsburgh, Pennsylvania 15222
(412) 471-3002

Of Counsel

Opinion of the United States Court of Appeals
For the Third Circuit

UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

No. 82-5081

UNIVERSITY OF PITTSBURGH,
A non profit corporation,

Appellant

—v.—

CHAMPION PRODUCTS INC., a corporation

APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA

(D.C. Civil No. 81-02167)

Argued July 7, 1982

Before: SEITZ, *Chief Judge,*
VAN DUSEN and SLOVITER, *Circuit Judges*

(Opinion filed August 12, 1982)

OPINION OF THE COURT

VAN DUSEN, *Senior Circuit Judge.*

This is an appeal from a final order of the district court, sitting without a jury, entering judgment for the defendant

based upon a finding that the plaintiff's trademark infringement and unfair competition claims are barred by laches. *University of Pittsburgh v. Champion Products, Inc.*, 529 F. Supp. 464, 469 (W.D.Pa. 1982). This court has jurisdiction under 28 U.S.C. § 1291 (1976).

Because we believe that the district court erred in applying the doctrine of laches to bar plaintiff's claims for prospective injunctive relief, we will reverse that portion of the judgment and remand for further consideration of the facts and law underlying plaintiff's claim for future injunctive relief. *See, e.g., In re Arthur Treacher's Franchise Litigation, Arthur Treacher's Fish & Chips, Inc. v. A & B. Management Corp.*, etc. ____ F.2d ____ (3d Cir. Nos. 81-2306 & 81-2562, June 18, 1982), slip op. at 13-14. In all other respects, the judgment of the district court will be affirmed.

I.

The historical facts of this case are set forth in detail in the district court's opinion. *See* 529 F. Supp. at 466-67. The University of Pittsburgh ("Pitt") is a non-profit Pennsylvania corporation, originally established in 1787, which has been operating under its present name since 1908.[1] Shortly thereafter, Pitt adopted the panther as the mascot for its athletic teams. Since that time, Pitt has come to enjoy a widespread reputation for the excellence of its undergraduate, graduate and professional schools and, more recently, for its national calibre athletic programs. As a result, "University of Pittsburgh," "Pitt," "Panthers," and "Pitt Panthers" have become largely synonymous in the public mind. As the district court found, the names "University of Pittsburgh" and "Pitt" have been used by Pitt on its athletic uniforms for over 50 years. 529 F. Supp. at 466. Further, at least since World War II, the Pitt bookstore has sold an array of clothing and novelty items

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1 From 1787 until 1908, the institution was known as the Western University of Pennsylvania.

bearing these names and various representations of the University seal and panther mascot. *Id.*[2]

Champion Products, Inc. ("Champion") is a New York corporation engaged in the business of manufacturing and marketing "soft goods,"[3] approximately 80% of which are imprinted with the names and/or symbols of schools, colleges, universities, and other entities or events. N.T. at 547, *reprinted at* 530a. It is largely undisputed that Champion created and nurtured the imprinted soft goods industry[4] and is now the premier manufacturer in the field with annual sales in excess of $100 million. *Id.* By Champion's own testimony, the names or insignia of more than 10,000 schools, colleges and universities appear on Champion goods. Champion has developed this business to a point where it employs over 100 salesmen, maintains an extensive art department to update old designs

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2 District court findings 7 and 20 on pp. 466 & 468, respectively, of 529 F. Supp. include this wording:

> "7. . . . In 1980, Pitt applied for and received certificates of registration for some twenty-seven of its insignia with the Commonwealth of Pennsylvania. In 1961, 1971 and 1981, it obtained Pennsylvania registration for its rings and in 1981, for other jewelry. In 1980, it also made six applications to the United States Patent and Trademark Office for various of its insignia.
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> "20. Prior to December, 1980 Pitt never objected to Champion's selling soft goods bearing Pitt insignia. In June, 1981 Pitt asked Champion to execute a license agreement requiring Champion to pay a $100 license fee and a 6% royalty on sales of soft goods bearing Pitt insignia. Champion refused."

3 The district court stated:

> "For purposes of these findings of fact and conclusions of law the term 'soft goods' includes T-shirts, sweat suits, polo shirts, jackets and other wearing apparel. It does not include banners, pennants, lab coats or lab smocks, aprons or neckties."
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> 529 F. Supp. at 467.

4 In 1933 or 1934, Champion developed and patented a new process for applying imprints and designs that replaced the former method, which had been substantially more expensive and time consuming, and involved the cutting out of cloth and hand-sewing individual letters or insignia pieces to the garment. 529 F. Supp. at 466. For a description of the current process, *see* note 23 below.

and develop new ones, and spends in excess of $800,000 annually to advertise its products. N.T. at 547-53, *reprinted at* 530a-36a. There has been no allegation that Champion's goods are not of the highest quality. Champion does not now, and apparently never has, maintained any licensing arrangement with, or paid royalties to, any of the schools or colleges whose insignia it uses. N.T. at 548-49, *reprinted at* 531a-32a.[5]

Although the testimony was not without confusion,[6] the district court found that the relationship between Pitt and Champion began in 1936 when Champion began supplying Pitt with athletic uniforms bearing Pitt's name and marks. At approximately the same time, Pitt began carrying Champion-made Pitt soft goods in the campus bookstore. 529 F. Supp. at 467. This arrangement continued until 1960.[7] During the same period, Champion apparently also sold goods with the Pitt marks to others in the Pittsburgh area not affiliated with the University. *Id.* Since 1946, Champion sold such goods to Shea's Sporting Goods store in Pittsburgh, a business not affiliated with the University, which in turn resold the goods to the general public. Pitt maintains that Shea's had an informal license agreement with the University to sell insignia goods to campus organizations but that Pitt had no knowledge of and never approved any other distribution of Pitt insignia goods. The question of knowledge aside, however, Pitt never objected

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5 The record discloses that Champion pays royalties for the use of National Football League trademarks, N.T. at 602, *reprinted at* 578a; the "Snoopy" comic strip character, N.T. at 598, *reprinted at* 574a; and perhaps other marks as well. Also, there has been litigation involving Champion's right to use marks related to the annual Rose Bowl game. Br. for appellant at 28.

6 Virtually all the testimony of the Pitt/Champion relationship prior to 1960 came from Sam Friedland, who was Champion's salesman in the Pittsburgh area from 1936 until 1968. The district court explicitly credited his testimony. 529 F. Supp. at 467. We point out that Mr. Friedland's recollection is understandably vague in some particulars.

7 In 1960, Pitt ceased carrying most of this type of goods in the bookstore. Such items are now available to order. 529 F. Supp. at 467.

to any action taken by Champion until the early stages of this litigation.

The mid-1970's marked a period of dramatic success and increased national exposure for the Pitt football team.[8] Following the 1976 football season, the Pitt team was invited to play the University of Georgia for the unofficial national championship[9] at the 1977 Sugar Bowl game in New Orleans. Upon returning from that game, the manager of Pitt's campus bookstore reported to her superiors that literally thousands of garments bearing various Pitt insignia were in evidence at the game. This report engendered discussions of the issue among university officials and culminated in a decision to register its name and marks under federal and state trademark laws and license their use by manufacturers. N.T. at 269-71, *reprinted at* 302a-04a.[10] On August 4, 1980, Pennsylvania trademark registrations were issued to Pitt covering 29 marks or combinations, including eight for use on clothing.[11] On December 18, 1980,

8 In the early 1970s, Pitt hired Johnny Majors, a well-known college coach, in an effort to bring its football probram up to national championship level and to complete directly with in-state rival Penn State. Largely through an aggressive recuriting program. Majors soon built such a team around several All-American players—notably running back Tony Dorsett, the 1977 Heisman Trophy winner. Dorsett now plays professionaly for the Dallas Cowboys, while Majors now coaches at the University of Tennessee.

9 There is no NCAA sanctioned championship in football as there is in other sports. Rather, teams vie for positions in polls operated by the major wire services in which coaches and sportswriters select the top team. This game was recognized as the national championship for the 1976 college football season.

10 As early as 1961, Pitt had registered the design of its class ring under the Pennsylvania trademark law. 639a. Since then, Pitt has consistently licensed the jewelers who produce the rings. N.T. at 646-47, *reprinted at* 618a-19a.

11 *See* Pa. Stat. Ann. tit. 73, § 16 (Purdon 1971). Under Pennsylvania law, trademark registration is a ministerial act upon compliance with the application requirements. There is no provision for opposition except in a subsequent enforcement proceeding. *Id.* §§ 16, 17 & 20.

Pitt has also filed several federal trademark registrations. All of those which are relevant here are still pending.

Pitt contacted Champion, gave notice of its claim to the marks, and requested that Champion execute a license agreement.[12] Champion refused.

On December 2, 1981, Pitt brought this action in state court, alleging (1) common law trademark infringement; (2) trademark infringement in violation of Pa. Stat. Ann. tit. 73, § 23 (Purdon 1971); (3) common law unfair competition; and (4) false designation of origin of goods under the Lanham Act, 15 U.S.C. § 1125(a) (1976). Champion removed the case the next day to the United States District Court for the Western District of Pennsylvania.[13] On December 4, 1981, after a hearing, the court denied Pitt's request for a preliminary injunction. A bench trial on the issue of liability was held on December 10-11 and 14-17, 1981, and on January 7, 1982, the district court filed its findings of fact and conclusions of law holding the plaintiff's claims to be barred by laches. Pitt's motion to make additional findings of fact and amended conclusions of law was denied on January 18, 1982.

This appeal followed.

II.

The issue before this court—and the only issue discussed in the district court's opinion—is very narrow: has Champion carried its burden of establishing on these facts the affirmative defense of laches to a degree which must bar Pitt's claims in their entirety? Because laches is an equitable doctrine, its application is inextricably bound up with the nature and quality of the plaintiff's claim on the merits relevant to a

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12 Pitt's proposed terms include an annual fee of $100, plus a royalty of 6% of all sales of Pitt-marked products. *See* plaintiff's ex. 5, *reprinted at* 656a-61a.

13 *See* 28 U.S.C. § 1441 (1976). This district court had federal question jurisdiction over the Lanham Act claim and pendent jurisdiction over the related state law claims. The district court also had independent diversity jurisdiction over the state claims.

prospective injunction. Consequently, while we must of necessity discuss the merits of the plaintiff's claim, we express no opinion on the ultimate question of precisely what has been proven on this record, nor on the availability or scope of the prospective injunctive remedy available, preferring not to venture into this expanding area of the law without the benefit of the district court's findings and conclusions on the issues raised by the application for such a prospective injunction.

A. *The Doctrine of Laches*

It is hornbook law that laches consists of two essential elements: (1) inexusable delay in instituting suit, and (2) prejudice resulting to the defendant from such delay. *Gruca v. United States Steel Corp.*, 495 F.2d 1252, 1258 (3d Cir. 1974); *Sobosle v. United States Steel Corp.*, 359 F.2d 7, 12-13 (3d Cir. 1976).[14] Pennsylvania and federal law in this field are identical for all practical purposes. *Anheuser-Busch v. Du Bois Brewing Co.*, 175 F.2d 370, 373-74 (3d Cir. 1949), *cert. denied*, 339 U.S. 934 (1950); *Artus Corp. v. Nordic Co.*, 512 F. Supp. 1184, 1187 (W.D. Pa. 1981); *Consolidated Home Specialties v. Plotkin*, 358 Pa. 14, 30, 55 A.2d 404, 412 (1947).

Although there is some degree of confusion on this point in the older cases, it is also clear that actual "laches" in effect works an equitable estoppel barring all relief and requires a showing of both delay and prejudice. *Jenn-Air Corp. v. Penn Ventilator Co*, 464 F.2d 48, 49-50 (3d Cir. 972), *quoting Holmberg v. Armbrecht*, 327 U.S. 392, 396 (1946); *Sobosle v. United States Steel Corp.*, 359 F.2d at 12. In the trademark context, the concepts of "mere delay" or "laches without more," although confusing as a matter or semantics, *see Alfred*

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14 The two additional elements mentioned by the district court are subsumed by delay and prejudice. *See* 529 F. Supp. at 469. Open and notorious use by the defendant is relevant to the plaintiff's knowledge and, thus, whether its delay is excusable. Evidence of the defendant's fraudulent intent goes to the question of whether "prejudice" has been established as a matter of equity. *See, e.g., Anaconda Co. v. Metric Tool & Die Co.*, 485 F. Supp. 410, 427 (E.D. Pa. 1980).

Dunhill of London v. Kasser Dist. Prod. Corp., 350 F. Supp. 1341, 1364-65 (E.D. Pa. 1972), *aff'd mem.*, 480 F.2d 917 (3d Cir. 1973), are nonetheless relevant in two ways.

First, there is that narrow class of cases where the plaintiff's delay has been so outrageous, unreasonable and inexcusable as to constitute a virtual abandonment of its right. In *Anheuser-Busch v. Du Bois Brewing Co.*, for example, we postulated that, "for example, had there been a lapse of a hundred years or more, we think it highly dubious that any court of equity would grant injunctive relief against even a fraudulent infringer." 175 F.2d at 374. Second, there is the much more common situation in which the plaintiff's less egregious delay will bar its claim for an accounting for past infringement but not for prospective injunctive relief. *Id.* at 373-74 (citing cases); *Alfred Dunhill of London v. Kasser Dist. Prod. Corp.*, 350 F. Supp. at 1364; 4 R. Callman, *Unfair Competition* § 87.3(b), at 126 (3d ed. 1970). The distinction between these classes of cases and between mere delay and the laches which give rise to affirmative rights in the defendant as a result of detrimental reliance, has been consistently recognized by the Supreme Court for well over 100 years. *Menendez v. Holt*, 128 U.S. 514, 523-24 (1888); *McLean v. Fleming*, 96 U.S. 245, 257-58 (1877). As the Court explained in *Menendez*, where there is delay but not detrimental reliance, the infringer is in effect operating with the consent of the trademark owner and "[w]here consent by the owner is to be inferred from his knowledge and silence merely, 'it lasts no longer than the silence from which it springs; it is, in reality, no more than a revocable license.' " 128 U.S. at 524 (citing cases).[15]

The length of the plaintiff's delay is also relevant for one other reason. Our recent cases have held that where the "plaintiff sleeps on his rights for a period of time greater than

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15 It is sufficient to note in passing that the *Menendez* Court's comment that "the intentional use of another's trademark is a fraud" was made in the context of this discussion. 128 U.S. at 523. Thus, to the extent that Pitt employs this language in support of its argument for an accounting, it does so out of context and, we hold, unsuccessfully.

the applicable statute of limitations," the burden of proof shifts to the plaintiff to prove the absence of such prejudice to the defendant as would bar all relief. *Gruca v. United States Steel Corp.*, 495 F.2d at 1258-59; *Burke v. Gateway Clipper, Inc.*, 441 F.2d 946, 949 (3d Cir. 1971).

Finally, we note again that laches is an equitable doctrine addressed to the sound discretion of the district judge, whose determination we will not disturb absent an abuse of that discretion. *Gruca v. United States Steel Corp.*, 495 F.2d at 1258.

B. *Pitt's Delay in Asserting Its Claim*

At the outset, it cannot be said on these facts that the district court abused its discretion in barring Pitt's claim for an accounting for past infringement. At least as to the period after 1960, when Pitt stopped carrying imprinted goods in its bookstore, we agree with the district court that "[i]t is inconceivable that persons in authority at Pitt did not know that Champion soft goods, marked with various Pitt insignia, were being sold at retail outlets other than the Pitt bookstore." 529 F. Supp. at 468. The evidence that Pitt-imprinted garments were widely worn by students and faculty and readily available in the community is more than sufficient to support such a conclusion. Insofar as earlier periods are concerned, the evidence is less certain but it cannot be said that the district court's findings that Champion was selling to persons other than Pitt are clearly erroneous. *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 50 U.S.L.W. 4592 4595 (U.S. June 1, 1982). At best, this evidences inattention on Pitt's part; at worst it represents precisely the sort of silent acquiescence which the courts since *McLean* and *Menendez* have held sufficient to bar an accounting.

However, we do not believe that Pitt's action rises to the level of outrageous and inexcusable delay which will bar all relief even absent a showing of detriment to Champion. Neither do we understand the district court to have believed this to be the case.

Read in the light most favorable to Champion, the district court's findings show that Champion, with Pitt's actual or chargeable knowledge, sold Pitt-marked goods in the Pittsburgh area during the same period that it was selling to the Pitt bookstore and thereafter. Pitt's witnesses testified that, to the extent that the university was aware of outside sales, they believed that most of them were made to students or others as to which Pitt had no objection. There is no indication that Pitt "abandoned" its name or marks in the sense of non-use or "a general surrender of the use to the public." *Menendez v. Holt*, 128 U.S. at 524. In fact, during this same period, Pitt went to the trouble of registering a trademark in the design for its class ring.[16]

Similarly, the district court did not find that Pitt officials had any knowledge of the existence or volume of sales outside of the Pittsburgh area before the 1977 Sugar Bowl game.[17] Pitt could well have felt that, so long as sales were largely confined to the Pittsburgh area, it would be likely that the university would become aware of quality problems or objectionable uses in due course and that the costs of litigation and damage to its ongoing business relationship with Champion made the volume of the infringement involved *de minimus*. This action was certainly the sort of silent acquiescence which would bar an accounting for that period, but cannot be said to be so unreasonable as to cut off all rights. These facts differ substantially from those in *Anheuser-Busch*, a case relied upon heavily by Champion, where the senior user of the trademark, with full knowledge of the infringement of the junior user, initially brought an infringement action and then abandoned it and made no further objection for 40 years. *See* 175 F.2d at 372-74. Here, the character and scope of the alleged infringement

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16 *See* note 10 above.

17 Champion presented testimony on this point, but the court made no findings. The gist of Champion's argument is that Pitt-marked goods were advertised in catalogs distributed nationwide so that Pitt, whose bookstore received the catalog, was on notice of the scope of Champion's sales.

changed substantially over the years from a modest program of sales to students and local adherents of the university to a program of national sales aimed at servicing and capitalizing upon Pitt's emergence as a national college football power. While Pitt may have acquiesced in the former, it promptly objected to the latter. Thus, to the extent that any of the traditional trademark cases are apposite,[18] this case is less analogous to *Anheuser-Busch* than to *Scott Paper Co. v. Scott's Liquid Gold, Inc.*, 589 F.2d 1225 (3d Cir. 1978), where the plaintiff objected to the defendant's long-standing, although admittedly junior, use of the name "Scott's" only after the defendant, whose marketing efforts had previously been limited to the greater Denver area, made a public offering of its stock and began nationwide advertising and marketing efforts. *Id.* at 1227-28.

Consequently, we reject Champion's contention that Pitt's delay alone has barred its right to prospective relief and hold that such a bar must depend upon the degree to which Pitt's delay may have prejudiced Champion.

C. *Detrimental Reliance By Champion*

Although the district court made four separate findings of fact concerning Champion's reliance on Pitt's inaction,[19]

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18 As we will discuss below, this case falls within a new and expanding area of the law in which the principles transferrable from the older cases are somewhat unsettled.

19 The court found:

> "25. Champion has borne the risk of building the insignia soft goods business. Through the years, Champion's salesmen have called on and tried to enlist drugstores, men's wear stores, variety stores and book stores as outlets for its soft wear.
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> "26. Champion maintains quality control on the goods that it manufactures and distributes, with respect to both the materials involved and the imprinting process.
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> "27. Champion has an extensive creative art department for the development of graphics and designs that are used to respond to competitive pressures for new fashion requirements. Champion artists have developed the designs over the years and are constantly modifying them to meet consumer demands.
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Champion's position may be stated succinctly: "Champion created, developed and expanded the imprinted soft-goods industry with the full knowledge of Pitt who should not now be permitted to profit from the markets developed by Champion." While this argument is rhetorically attractive, we do not believe that this case is nearly so simple.

In the classic trademark or unfair competition case, both parties manufacture and/or sell the same or related products. When both attempt to use the same name or trademark, the law protects the senior user from what is, in laymen's terms, an attempt by the junior user to take advantage of the market demand and goodwill generated by the senior user. The essential issue is consumer confusion: if the public could reasonably believe the junior's product to be the product of the senior, the junior may be enjoined. Laches becomes relevant where the senior delays in asserting its rights for so long that the junior has developed sufficient demand and goodwill through its own efforts that it would be inequitable to enforce the senior's rights. These principles, which we have stated here in summary fashion, are discussed in detail in our earlier cases, as well as in a helpful opinion by our colleague, Judge Becker, then of the district court in *Alfred Dunhill of London v. Kasser Dist. Prod. Corp.*, 350 F. Supp. at 1357-58.

In this case, there is no consumer confusion in the traditional sense. No one would seriously assert that a significant segment of the public believes that Pitt actually manufactured the goods involved. This is the heart of Champion's argument

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"30. Champion has built up substantial goodwill in the business of selling soft goods bearing college or university insignia. Champion has a sales force of between 100 and 125 salesmen who serve more then 10,000 accounts.

529 F. Supp. at 468. At the outset, we note that we do not believe Champion's quality control efforts to be evidence of detriment. Thus, our discussion will focus on the remaining points. As noted at the end of part II-A above, our decision in *Gruca* may shift the burden of justifying the delay and/or disproving prejudice to Pitt as a result of the length of the delay. 495 F.2d at 1258-59. Regardless of the allocation of this burden, we conclude as a matter of law that the evidence in this record does not support a finding of prejudice sufficient to support the laches determination.

on the merits and the theoretical basis for their laches position. Further, Champion argues, "it cannot be equitable for a well-informed merchant with knowledge of a claimed invasion of right, to wait and see how successful his competitior will be and then destroy with the aid of a court decree much of what the competitor has striven for and accomplished. . . ." *Anheuser-Busch v. Du Bois Brewing Co.*, 175 F.2d at 375 (citing cases).

It is, however, equally beyond question that, while the market for imprinted soft goods, in the sense of their physical availability to the public and the public's corresponding knowledge of that availability, exists as a result of Champion's efforts, the ultimate demand for the product is a direct result of the efforts of Pitt to make its name widely known through athletic and educational accomplishments. With negligible exception,[20] a consumer does not desire a "Champion" T-shirt, he (or she) desires a "Pitt" T-shirt. The entire impetus for the sale is the consumer's desire to identify with Pitt or, perhaps more realistically, with Pitt's successful athletic programs. From this point of view, then, it is Champion which seeks to profit from Pitt's investment, particularly in its athletic program. This formulation of the issue reflects a growing and unsettled aspect of the law of unfair competition both at common law and under the Lanham Act.

The landmark case in this area is the Fifth Circuit's decision in *Boston Pro. Hockey Ass'n v. Dallas Cap & Emblem Mfg., Inc.*, 510 F.2d 1004, 1012 (5th Cir.), *cert. denied*, 423 U.S. 868 (1975), where the court explained:

> "In this case, however, the district court overlooked the fact that the act was amended to eliminate the source of origin as being the only focal point of confusion. The confusion question here is conceptually difficult. It can be said that the public buyer *knew* that the emblems portrayed the teams' symbols. Thus, it can be argued, the

20 It may be that a few particularly astute consumers value the quality of a Champion garment, regardless of imprint, over the association with the imprint gained by wearing it. We doubt it.

buyer is not confused or deceived. This argument misplaces the purpose of the confusion requirement. The confusion or deceit requirement is met by the fact that the defendant duplicated the protected trademarks and sold them to the public knowing that the public would identify them as being the teams' trademarks. The certain knowledge of the buyer that the source and origin of the trademark symbols were in plaintiffs satisfies the requirement of the act. The argument that confusion must be as to the source of the manufacture of the emblem itself is unpersuasive, where the trademark, originated by the team, is the triggering mechanism for the sale of the emblem."

In *National Football League Properties, Inc. v. Wichita Falls Sportswear, Inc.*, 532 F. Supp. 651, 658-59 (W.D. Wash. 1982), the district court elaborated on this point and described the problem as a "confusion of sponsorship"[21] in cases where the junior user's purpose is "to capitalize on the market of those people who want to associate themselves with an NFL team." This formulation, according to the court, recognizes the symmetry between the concepts of secondary meaning and likelihood of confusion." *Id.* at 659. The Seventh Circuit has recently taken a similar position in *Processed Plastic Co. v. Warner Communications*, 675 F.2d 852, 856-58 (7th Cir. 1982). However, the precise contours of this theory are by no means settled, as evidenced by the Fifth Circuit's apparent retreat from some of the broader language in *Boston Hockey, Supreme Assembly, Order of Rainbow for Girls v. J. H. Ray Jewelry Co.*, 676 F.2d 1079, 1084 & n. 7 (5th Cir. 1982); and the Ninth Circuit's rejection of *Boston Hockey* almost in its

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21 A similar analysis was applied by the Second Circuit in *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200 (2d Cir. 1979). In that case, the court upheld an injunction barring distribution of an "adult" film in which the leading character was dressed—if that term is appropriate—in a representation of the plaintiff's uniform.

entirety, *International Order of Job's Daughters v. Lindeburg & Co.*, 633 F.2d 912, 918 (9th Cir. 1981).[22]

We decline to delve into this fray without the benefit of its consideration by the district court and full briefing of these most recent cases by the parties. Nonetheless, even postulating a less expansive variation of this theory than that expressed in *Boston Hockey*, we believe that the fundamental concepts upon which these cases rest require a reevaluation of the district court's findings concerning Champion's reliance on Pitt's delay.

First, it is simply not true that Champion has built up its entire business in reliance on Pitt's inaction. By Champion's own testimony, Pitt is only one of approximately 10,000 schools and colleges whose names and designs they imprint on soft goods. Champion built its physical plant, art department and sales force in order to design, produce and market soft goods with marks and designs of every kind. Some of these designs—notably those of professional football teams—it pays for; others—apparently schools and colleges—it does not. The only tangible investments in Pitt's designs, per se, are the screen stencils used for imprinting the designs—which are produced in quantity, used for no more than a few dozen shirts, and then destroyed[23]—and the time and effort of the art

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22 Apparently, the Ninth Circuit has not yet had the opportunity to consider a possible conflict between its decision in *Rainbow Girls* and the more recent decision of the district court in *NFL Properties*.

23 As the district court explained:

> "10. Champion's patented method involved a silk screen process used to apply designs and letters to its soft goods. A screen of silk or synthetic material is stretched on a frame. The screen then is coated with a photosensitive material. Next, a transparent sheet called a "brunning," having the desired design printed thereon is taped to the screen. Light is shown through the transparency onto the screen exposing part of the photosensitive material that blanks off the screen. The unexposed material is washed off leaving openings through which paint or an adhesive may be forced. The paint can pass through only the portion of the screen that corresponds on the transparency. The screen is placed over a shirt and paint is forced through the screen with a squeegee. After the screen

department in developing new variations—presumably color, arrangement and lettering style—of the name, seal and mascot of Pitt. In other words, Champion developed its physical plant in reliance, not on Pitt, but on its own ability to develop and market such imprinted goods that the public, for whatever reason, wishes to buy. With this capability in place, Champion can seize upon the popularity of anyone or anything—popularity which is entirely unrelated to any effort by Champion—and produce the appropriate soft goods. Thus, this case is very different from those in which the junior user has developed its entire business around one name or product which the senior user then seeks to prohibit it from using or producing. *See Anaconda Co. v. Metric Tool & Die Co.*, 485 F. Supp. 410, 429-30 (E.D. Pa. 1980).

Similarly, Champion has indeed developed a market in the sense of recruiting sales outlets, but again Champion was seeking outlets and developing goodwill for whatever Champion products were in demand in that area. The fact that greater Pittsburgh sales outlets were interested in Pitt-marked goods is not so much a result of Champion's efforts as understandable local loyalty. As to buyers outside the area, the evidence appears to show that consumer demand increased in direct proportion to Pitt's football fortunes. If a potential Pitt goods customer indicated that it would prefer to stock Penn State or Princeton or Duke imprinted goods, for example, there is no evidence that Champion would feel compelled to push Pitt-marked products. While Champion has indeed developed the mechanism for producing and marketing these goods, the demand for goods with any given imprint is due not to the efforts of Champion but rather to the efforts of the school, team, movie producer, musical group, or whatever person or

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is removed the shirt carries the design applied on it. Then the paint is cured and the process is completed.

"11. Champion does not reuse its screens. Three or four dozen shirts can be made from one screen. Additional screens are made for larger orders. When an order is completed, the screen is destroyed. Champion makes 2,000 to 2,500 screens per day."

529 F. Supp. at 467.

entity whose imprint is used and whose current popularity makes that imprint desirable.

The teaching of *Boston Hockey, NFL Properties*, and related cases is that, whatever the ultimate scope of protection afforded, the crucial element is consumer desire to associate with the entity whose imprint is reproduced. This desire is based on success or notoriety which, in turn, is a result of the efforts of that entity. Champion merely packages and exploits it. Champion's investment is in the industry in general, not in Pitt's marks in particular. We doubt that if Pitt closed its doors tomorrow—or, perhaps more to the point, discontinued football—, Champion's losses would extend beyond existing inventory. This we hold to be insufficient to bar all relief.

III.

For the foregoing reasons, the judgment of the district court will be reversed insofar as it holds Pitt's claims for prospective injunctive relief to be barred by laches, and the case will be remanded for further proceedings concerning the scope of prospective injunctive relief, if any, and for such findings and conclusions as the district court may make on that subject, consistent with this opinion and such further evidence as may be produced on remand. We decline to determine on the present record the precise scope of prospective injunctive relief available in light of the developing case law in this area and its application to the relevant facts underlying this case as they may be supplemented on remand.[24]

In all other respects, the judgment of the district court will be affirmed.

The parties will bear their own costs.

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24 As we noted at the outset, we read the district court opinion as deciding only the laches issue. To the extent that Champion raised other defenses which were not decided by the district court, they remain open for consideration on remand. Similarly, because the proceedings below were bifurcated, there has not yet been a trial on the terms or scope of relief, if any, which should issue.

Findings of Fact and Conclusions of Law of Cohill, *D.J.* of the United States District Court, W.D. Pennsylvania

UNITED STATES DISTRICT COURT

W. D. PENNSYLVANIA.

Civ. A. No. 81-2167.

Jan. 7, 1982.

UNIVERSITY OF PITTSBURGH,
a non-profit corporation,

Plaintiff,

—v.—

CHAMPION PRODUCTS, INC., a corporation,

Defendant.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

COHILL, District Judge.

I.

Preliminary Statement

Plaintiff, University of Pittsburgh, seeks an injunction to prohibit the defendant, Champion Products, Inc., from marketing clothing, more particularly, "T-shirts," sweatshirts, jackets, and other wearing apparel known in the trade as "soft goods," decorated with the words "University of Pittsburgh," "Pitt" and various other words, emblems and artwork related to the University. Plaintiff also seeks an accounting for the defendant's past sales of Pitt insignia goods.

Following a hearing on December 4, 1981, we denied plaintiff's motion for a preliminary injunction. At the request of the parties, we accelerated the time for a hearing on plaintiff's request for a permanent injunction and other related relief. By stipulation the trial was bifurcated and the Court heard testimony only on the merits of the request for injunctive relief.

Now, in accordance with Rule 52 of the Federal Rules of Civil Procedure, we make the following findings of fact and conclusions of law.

II.

Findings of Fact

a. The Parties.

1. Plaintiff, the University of Pittsburgh ("Pitt"), is a non-profit Pennsylvania corporation having an office at 3209 Cathedral of Learning, Pittsburgh, Pennsylvania 15260. Pitt was established as an institution of higher learning in 1787, and changed its name from Western University of Pennsylvania to its present name in 1908.

2. Defendant, Champion Products, Inc. ("Champion"), is a corporation incorporated under the laws of the State of New York with its principal place of business at 3141 Monroe Avenue, Rochester, New York 14618.

3. Pitt filed this action in the Court of Common Pleas of Allegheny County, Pennsylvania on December 2, 1981. On December 3, 1981, Champion removed the case to this court pursuant to 28 U.S.C. § 1441 (1948). The complaint contains four counts: Count I alleges common law trademark infringement, Count II, trademark infringement under 73 P.S. § 23, Count III, unfair competition, and Count IV, false designation of origin and false description of goods in violation of the Lanham Trademark Act, 15 U.S.C. § 1125(a) (1946).

4. Pitt is a major university consisting of undergraduate, graduate and professional schools. It is one of the oldest universities in the United States. Pitt has acquired and enjoyed

an outstanding reputation for many years throughout and beyond the United States.

b. The Name and Insignia.

5. Since it adopted its present name in 1908, plaintiff, the University of Pittsburgh, has been widely known as "Pitt." "Pitt" and the "University of Pittsburgh" have become synonymous. We are not aware of any other school named or known as "Pitt" or the "University of Pittsburgh." Shortly after changing its name to the present form, Pitt adopted the panther as its mascot. Since that time, the school's athletic teams have been know and referred to as the "Pitt Panthers," or simply as the "Panthers."

6. The marks "University of Pittsburgh" and "Pitt" were used on Pitt's athletic uniforms more than 50 years ago. More than 30 years ago a student dressed as a panther appeared at Pitt athletic events as a mascot.

c. Time Frame.

7. Since at least World War II, Pitt has been selling various articles of clothing bearing one or more of the insignia University of Pittsburgh, Pitt and Pitt Panthers with variants including Pitt's seal and various representations of a panther. Those insignia have been applied to such articles as T-shirts, sweatshirts, jackets, lab coats and neckties. The marks have also been applied to class rings, ceramics, mugs and a wide variety of small articles. In 1980, Pitt applied for and received certificates of registration for some twenty-seven of its insignia with the Commonwealth of Pennsylvania. In 1961, 1971 and 1981, it obtained Pennsylvania registration for its rings and in 1981, for other jewelry. In 1980, it also made six applications to the United States Patent and Trademark Office for various of its insignia.

8. In or about 1933 or 1934, Champion developed a special process for putting insignia on sports and leisure wear, including T-shirts, sweat suits, jackets, polo shirts and shorts. This

process replaced the substantially more expensive and time-consuming process of cutting out cloth and hand-sewing each letter or piece of the insignia onto the product. Champion applied for and received a patent for the process. Thereafter, during the mid-1930's utilizing its patented method, Champion began manufacturing and selling soft goods bearing college and university insignia. For at least five years thereafter it was the only company providing such goods. Champion has been a leader and pioneer in the college-related soft goods industry.

d. Activities of Champion.

9. Champion manufacturers only soft goods, not novelty items or men's accessories. For purposes of these findings of fact and conclusions of law the term "soft goods" includes T-shirts, sweat suits, polo shirts, jackets and other wearing apparel. It does not include banners, pennants, lab coats or lab smocks, aprons or neckties.

10. Champion's patented method involved a silk screen process used to apply designs and letters to its soft goods. A screen of silk or synthetic material is stretched on a frame. The screen then is coated with a photosensitive material. Next, a transparent sheet called a "brunning," having the desired design printed thereon is taped to the screen. Light is shown through the transparency onto the screen exposing part of the photosensitive material that blanks off the screen. The unexposed material is washed off leaving openings through which paint or an adhesive may be forced. The paint can pass through only the portion of the screen that corresponds on the transparency. The screen is placed over a shirt and paint is forced through the screen with a squeegee. After the screen is removed the shirt carries the design applied on it. Then the paint is cured and the process is completed.

11. Champion does not reuse its screens. Three or four dozen shirts can be made from one screen. Additional screens are made for larger orders. When an order is completed, the screen is destroyed. Champion makes 2,000 to 2,500 screens per day.

12. Champion constantly changes the styles and designs it offers. Champion introduces a new full line and a new spring line every year, and prepares and distributes corresponding catalogs to universities and secondary schools throughout the United States.

13. In or about 1936, Champion began manufacturing, offering for sale and selling soft goods with the Pitt insignia in the City of Pittsburgh metropolitan area. These goods were marketed both by presenting samples and by distributing catalogs that identified the products that Champion could produce, including goods bearing the Pitt insignia.

14. From in or about 1936 to the present, Champion's sales were continuous and substantial, with two minor exceptions, one during World War II, and one noted in paragraph 18 herein. Champion has sold soft goods bearing Pitt insignia in each year since 1946 to entities not affiliated with Pitt.

15. From about 1936 to 1960, Champion sold its soft goods bearing the Pitt insignia to the main University book store located on the Pitt campus. During that same period of time, Champion sold Pitt insignia software continuously to others not affiliated with Pitt.

16. Sam Friedland, a salesman for Champion, sold Champion soft goods in the Pittsburgh area from about 1936 until his retirement in 1968. We found Mr. Friedland to be a credible witness. Paragraphs 17 through 19 are based primarily upon his testimony.

17. Prior to or about 1946, while still selling to the on-campus book store and to others, Champion began selling soft goods bearing the Pitt insignia to the Shea Sporting Goods ("Shea"), a retail store that is located close to the Pitt campus but is not affiliated with Pitt. Shea, in turn, marketed these goods to the general public.

18. In or about 1960, Pitt representatives told Mr. Friedland that soft goods, including Champion's products, would no longer be sold in the campus book store. Rather, the book

store was restricting its sales to products directly tied to Pitt's educational program. This policy continued at least until 1970. Pitt now sells to the order of individual customers T-shirts that are "decorated" through the application of "heat transfers."

19. Relying on Pitt's cessation of the sale of soft goods at the book store in 1960, Champion, through Mr. Friedland, increased its efforts to find, and was successful in finding, new retailers, not affiliated with Pitt, in the Pittsburgh metropolitan area.

e. Knowledge of Pitt.

20. Prior to December, 1980 Pitt never objected to Champion's selling soft goods bearing Pitt insignia. In June, 1981 Pitt asked Champion to execute a license agreement requiring Champion to pay a $100 license fee and a 6% royalty on sales of soft goods bearing Pitt insignia. Champion refused.

21. It is inconceivable that persons in authority at Pitt did not know that Champion soft goods, marked with various Pitt insignia, were being sold at retail outlets other than the Pitt book store. During the 1960's (when these items were not on sale at the Pitt book store), the *Pitt News*, the campus newspaper, carried advertisements for Shea's Sporting Goods and other merchants offering soft goods for sale bearing Pitt insignia.

22. As noted earlier, Champion had begun selling its soft goods to Shea's almost immediately following World War II, in or about 1946. The soft goods were displayed in the windows and on the shelves of Shea's.

23. From 1950 to the present, Champion has printed catalogs which portrayed the full line of Champion products, including goods with the Pitt insignia. These catalogs were sent to the campus book store, as well as to university book stores and non-university affiliated stores across the country.

24. From the time Pitt began its sale of soft goods bearing the Pitt insignia, Pitt students were continuously wearing these

T-shirts and other sports and leisure wear to classes and around the campus and local area generally. From 1960 onward, since Pitt knew these products were no longer being sold in its main book store, it was, or should have been, on notice that they were being sold elsewhere.

f. Reliance by Champion.

25. Champion has borne the risk of building the insignia soft goods business. Through the years, Champion's salesmen have called on and tried to enlist drugstores, men's wear stores, variety stores and book stores as outlets for its soft wear.

26. Champion maintains quality control on the goods that it manufactures and distributes, with respect to both the materials involved and the imprinting process.

27. Champion has an extensive creative art department for the development of graphics and designs that are used to respond to competitive pressures for new fashion requirements. Champion artists have developed the designs over the years and are constantly modifying them to meet consumer demands.

g. Lack of Evidence of Fraud.

28. Champion's labels and packaging clearly identify Champion as the source and origin of the goods. Champion's trademarks are well-known and the goodwill connected therewith has been built up over the years of Champion's existence.

29. For many years Champion's marketing of soft goods containing insignia or other identification of colleges or universities has been presented as a total line.

30. Champion has built up substantial goodwill in the business of selling soft goods bearing college or university insignia. Champion has a sales force of between 100 and 125 salesmen who serve more then 10,000 accounts.

31. Champion's products all conspicuously bear the Champion label on the neck.

32. Champion has for many years sold its product with the Pitt insignia through the Pitt book store (except for the period 1960-1970).

33. Champion has marketed its goods with the Pitt insignia openly and notoriously in the Pittsburgh area, and there is no evidence of intent to confuse the public as to source or origin.

34. Champion has marketed its goods at trade shows sponsored by the National Association College Stores, which the Director of Pitt's book store attended.

35. Pitt introduced some testimony at trial through Jay McKenzie, a Pittsburgh retailer, that some unidentified person, who answered the telephone at Champion, had advised him that Champion did, indeed, have a license to use Pitt insignia on its soft goods. Champion personnel denied this, and we find the testimony under these circumstances not to be relevant to the issue of fraudulent concealment by Champion.

h. Senior Usage.

36. Pitt had soft goods marked with the word "Pitt" prior to the establishment of Champion as a corporation in the nineteen twenties.

37. The impetus for the use and large scale selling of soft goods with Pitt insignia came with the patent of the silk screen process by Champion and the assignment of Mr. Friedland as Champion salesman in the Pittsburgh area.

III.

Conclusions of Law

1. This Court has jurisdiction over this action pursuant to 28 U.S.C. §§ 1331(a), 1332(a)(1) and (c), 1338(a) and (b), and the principle of pendent jurisdiction.

2. In a trademark infringement action, the defense of laches is established, and a plaintiff is entitled to no relief where there

has been: (1) a long period of unexcused inaction on the part of plaintiff, (2) open and notorious use by the defendant of the allegedly infringing trademarks, and awareness by the plaintiff of such use, (3) reliance by the defendant to its detriment on the inaction of plaintiff, and (4) lack of evidence that the initial use by defendant of the trademark was fraudulent. *See Anheuser-Busch v. DuBois Brewing Co.*, 175 F.2d 370 (3d Cir. 1949), *cert. denied*, 339 U.S. 934, 70 S.Ct. 664, 94 L.Ed. 1353 (1950).

3. The principle of laches bars plaintiff's request for an injunction and for an accounting under the Lanham Trademark Act, 15 U.S.C. § 1125(a) (1946).

4. The principle of laches also bars plaintiff's claims under state law. *See Artus Corp. v. Nordic Co., Inc.*, 512 F.Supp. 1184, 1187 (W.D.Pa. 1981) ("Pennsylvania jurisprudence with respect to unfair competition and the Lanham Act, 15 U.S.C. § 1125(a), are identical except for the federal requirement of interstate commerce, an element not here in dispute."); *Consolidated Home Specialties Co. v. Plotkin*, 358 Pa. 14, 30, 55 A.2d 404, 412 (1947) ("If the owner of a tradename acquiesces so long in the use of that name or in a name strikingly similar thereto that the public has in general become aware of the other's appropriation of that name and is therefore not deceived, such owner may in a proper case be treated as having abandoned his one-time property right in that name.")

An appropriate order follows.

Order of Cohill, *D.J.* Entering Judgment in Favor of Defendant

IN THE
UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 81-2167

UNIVERSITY OF PITTSBURGH, a non-profit corporation,

Plaintiff,

—v.—

CHAMPION PRODUCTS, INC., a corporation,

Defendant.

ORDER

AND NOW, to-wit, this 7th day of January, 1982, it is hereby ORDERED, ADJUDGED and DECREED that judgment be and hereby is entered in favor of the defendant, Champion Products, Inc., and against the plaintiff, University of Pittsburgh.

/s/ MAURICE B. COHILL, JR.
United States District Judge

cc: Walter Blenko, Esq.
Buell, Blenko, Ziesenheim & Beck
301 Fifth Ave. Bldg.
Pittsburgh, Pa. 15222

William H. Hauser, Esq.
Anderson, Moreland & Bush
26th Floor–Centre City Tower
Pittsburgh, Pa. 15222

Paul J. Weiner, Esq.
Breed, Abbott & Morgan
Citicorp Center
153 East 53rd Street
New York, New York 10022

Order of Cohill, *D.J.* Denying Motion by Plaintiff to Make Additional Findings of Fact and to Amend Order

IN THE
UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 81-2167

UNIVERSITY OF PITTSBURGH, a non-profit corporation,

Plaintiff,

—v.—

CHAMPION PRODUCTS, INC., a corporation,

Defendant.

ORDER OF COURT

AND NOW, to-wit, this 18th day of January, 1982, the Court having received a motion by plaintiff (1) to make additional findings of fact and (2) to amend its Order of January 7, 1982, and after careful consideration of the allegations of the motion and transcript submitted from *The Pasadena Tournament of Roses Association, Inc., et al. v. Champion Products, Inc.* (S.D. Iowa 81-142-D-2), it is hereby ORDERED, ADJUDGED and DECREED that said motion be and the same hereby is DENIED.

/s/ MAURICE B. COHILL, JR.
United States District Judge

cc: Walter Blenko, Esq.
Buell, Blenko, Ziesenheim & Beck
301 Fifth Ave. Bldg.
Pittsburgh, Pa. 15222

William H. Hauser, Esq.
Anderson, Moreland & Bush
26th Floor–Centre City Tower
Pittsburgh, Pa. 15222

Paul J. Weiner, Esq.
Breed, Abbott & Morgan
Citicorp Center
153 East 53rd Street
New York, New York 10022

Order of Van Dusen, *C.J.* Staying Judgment

UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

No. 82-5081

UNIVERSITY OF PITTSBURGH, et al., Appellant

—vs.—

CHAMPION PRODUCTS, INC., a corporation

Pursuant to Rule 41(b) of the Federal Rules of Appellate Procedure, it is O R D E R E D that issuance of the certified judgment in lieu of formal mandate in the above cause be, and it is hereby stayed until Oct. 21, 1982.

/s/ FRANCIS L. VAN DUSEN
Senior Circuit Judge

Dated: September 24, 1982

Judgment of the Third Circuit

UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

No. 82-5081

UNIVERSITY OF PITTSBURGH, A non-profit corporation,
Appellant

—vs.—

CHAMPION PRODUCTS, INC., a corporation

(D.C. Civil No. 81-02167)

ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA

Present:

SEITZ, *Chief Judge*;
VAN DUSEN and SLOVITER, *Circuit Judges*.

JUDGMENT

This cause came on to be heard on the record from the United States District Court for the Western District of Pennsylvania and was argued by counsel on July 7, 1982.

On consideration whereof, it is now here ordered and adjudged by this Court that the judgment of the said District Court, entered January 7, 1982, be, and the same is hereby reversed insofar as it holds Pitt's claims for prospective injunctive relief to be barred by laches and the cause remanded for further proceedings concerning the scope of prospective injunctive relief, if any, and for such findings and conclusions as

the District Court may make on the subject, consistent with the opinion of this Court and such other evidence as may be produced on remand. It is further ordered that the said order be, and the same is hereby affirmed in all other respects. Each party to bear its own costs.

ATTEST: /s/ SALLY MRVOS
Clerk

August 12, 1982

Order of the Third Circuit
Denying Petition for Rehearing

UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

No. 82-5081

UNIVERSITY OF PITTSBURGH, A non-profit corporation,
Appellant

—vs.—

CHAMPION PRODUCTS, INC., a corporation

(W.D. of Pa. Civil No. 81-02167)

SUR PETITION FOR REHEARING

Present:

SEITZ, *Chief Judge*, VAN DUSEN, ADAMS, GIBBONS, HUNTER, WEIS, GARTH, HIGGINBOTHAM, SLOVITER and BECKER, *Circuit Judges*.

The petition for rehearing filed by

Appellee, Champion Products, Inc.

in the above entitled case having been submitted to the judges who participated in the decision of this court and to all the other available circuit judges of the circuit in regular active service, and no judge who concurred in the decision having asked for rehearing, and a majority of the circuit judges of the circuit in regular active service not having voted for rehearing by the court in banc, the petition for rehearing is denied.

By the Court,

/s/ SEITZ
Judge

Dated: September 14, 1982

Office - Supreme Court, U.S.
FILED
NOV 29 1982
ALEXANDER L. STEVAS
CLERK

No. 82-699

In The

Supreme Court of the United States

October Term, 1982

Champion Products, Inc.
Petitioner

v.

University of Pittsburgh
Respondent

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

BRIEF OF UNIVERSITY OF PITTSBURGH IN OPPOSITION TO THE PETITION

WALTER J. BLENKO, JR.
301 Fifth Avenue
Pittsburgh, Pennsylvania 15222
(412) 471-1590
Attorney for Respondent

ARNOLD B. SILVERMAN
LYNN J. ALSTADT
301 Fifth Avenue
Pittsburgh, Pennsylvania 15222
Of Counsel

November 24, 1982

TABLE OF CONTENTS

	PAGE
Opinions Below	1
Jurisdiction	1
Respondent's Grounds of Opposition to the Petition	2
Counterstatement of the Case	3
I. The Court of Appeals Correctly Decided The Issue Before It	6
II. There Is Nothing About This Case Which Calls For Review By This Court	7
Conclusion	8

TABLE OF AUTHORITIES

CASES	PAGE
Czaplicki v. The Hoegh Silvercloud, (1956) 351 U.S. 525	6
Forsyth v. Hammond, (1897) 166 U.S. 506	7
Gardner v. Panama Railroad Co., (1951) 342 U.S. 29	6
General Pictures Co. v. Western Electric Co., (1938) 304 U.S. 175	7
Keller v. Adams-Campbell, (1924) 264 U.S. 314	7
Layne & Co. v. Western Well Works, (1923) 261 U.S. 387	7
Magnum Co. v. Coty, (1923) 262 U.S. 159	7
Meem-Haskins Coal Corp. v. Central Fuel Corp. (CCPA, 1943) 137 F.2d 242	4
National Hockey League v. Metropolitan Hockey Club, (1976) 427 U.S. 639	2, 6
Tyrrell v. District of Columbia, (1917) 243 U.S. 1	7
United States v. Johnston, (1925) 268 U.S. 220	7
United States v. Rimer, (1911) 220 U.S. 547	7

OTHER AUTHORITIES CITED

Supreme Court Rule 17	7
Civil Rule 37	2, 6

OPINIONS BELOW

The Opinion of the Court of Appeals for the Third Circuit is now reported at 680 F.2d 1040. References herein to the appendix to the petition will be by page (thus, . . .a).

JURISDICTION

Respondent admits jurisdiction.

REPONDENT'S GROUNDS OF OPPOSITION TO THE PETITION

(1) This is an action which is in an interlocutory stage charging trademark infringement, unfair competition, and false designation of origin. The case presents no issue of public importance which should be settled by this court. The district court dismissed the complaint and barred all future relief on the grounds of laches. The court of appeals, after reviewing the entire record, found that there is no evidence that respondent ever abandoned its name or trademarks to the public, and no evidence that petitioner ever relied to its detriment on acquiescence or inaction by respondent, 686 F.2d at 1045, 1047, 10a, 15a. The court of appeals therefore reversed the judgment of the district court insofar as the judgment barred respondent from injunctive relief against future infringement and remanded the case to the district court for further proceedings, 686 F.2d at 1049, 17a.

(2) The petition erroneously asserts that the decision herein is in conflict with this court's decision in *National Hockey League v. Metropolitan Hockey Club*, (1976) 427 U.S. 639. That contention misstates the holding and *ratio* of the decision by the court of appeals. In *National Hockey League* there had been a continuing failure or refusal to comply with discovery orders which was held to exemplify "flagrant bad faith". The complaint was dismissed pursuant to Civil Rule 37 as the ultimate sanction for non-compliance. This action does not present any issue of sanctions or failure to comply with the civil rules. Instead, the district court dismissed the complaint on the merits based on a holding of laches. The court of appeals, after a review of the findings of fact, held that the findings do not support the district court's holding of laches. Accordingly, the court of ap-

peals reversed and remanded the action for further proceedings before the district court, 686 F.2d at 1041, 2a.

(3) The court of appeals did not ignore the findings or the record as is asserted in the petition. To the contrary, the court of appeals gave detailed consideration to the findings and reviewed them in the light most favorable to the petitioner, 686 F.2d at 1045, 10a.

COUNTERSTATEMENT OF THE CASE

Petitioner's statement is so deficient as to require enlargement and correction in important particulars.

(1) Respondent, the University of Pittsburgh, was founded in 1787 and adopted its present name in 1908. Respondent has acquired and enjoyed an outstanding reputation throughout and beyond the United States for many years. "University of Pittsburgh" and "Pitt" have become synonymous, and respondent will generally be called "Pitt" herein. Shortly after Pitt changed its name it adopted the panther as a mascot. Pitt's athletic teams are widely known as the "Pitt Panthers" or the "Panthers", 529 F.Supp. at 466, 19-20a.

(2) Pitt's athletic teams have borne the marks "University of Pittsburgh" and "Pitt" on their uniforms for more than 50 years. Since at least World War II Pitt has sold articles of clothing ("soft goods") and other goods bearing the marks "University of Pittsburgh", "Pitt" and "Pitt Panthers", along with pictorial representations of a panther and the university's seal, 529 F.Supp. at 466, 20a, App. 74, 251-52, 634-53. Pitt's use of soft goods bearing the word "Pitt" predates the establishment of Champion as a corporation, 529 F.Supp. at 469, 25a. Pitt's sale of soft goods bearing its name and marks has continued up to the present time.

(3) Pitt has never abandoned or surrendered its right to control its own name and marks, 686 F.2d at 1045, 10a. In 1961, Pitt registered its mark as used on its class ring. More recently it has obtained a wide variety of Pennsylvania trademark registrations, including eight registrations for clothing, 686 F.2d at 1043, 4a.

(4) In or about 1936, Champion began to supply athletic uniforms to Pitt as well as soft goods which were sold by Pitt in its bookstore, 686 F.2d at 1043, 4a. The district court found, that the arrangement continued until about 1960 when Pitt discontinued carrying such goods in its bookstore, 529 F.Supp. at 467, 22-23a, Findings 15, 18. Finding 18 is based upon testimony reaching back over 20 years uncorroborated by any document. The finding refers solely to Pitt's bookstore on its *main* campus. It is undisputed that even after 1960 Champion continued to supply soft goods bearing Pitt's name and marks to the bookstores at Pitt's branch campuses from which students transferred to the main campus.

(5) The petition erroneously asserts that Pitt delayed for 45 years in asserting its rights against Champion. Even on the most exuberant view of the evidence Champion, for many years, manufactured soft goods bearing Pitt's name and marks solely to fill orders from Pitt's athletic department and book store. In filling Pitt's orders for soft goods Champion did not act adversely to Pitt and did not acquire any right of its own to use Pitt's name and marks, *Meem-Haskins Coal Corp. v. Central Fuel Corp.*, (C.C.P.A., 1943) 137 F.2d 242, 246.

(6) Champion's initial manufacture of goods bearing Pitt's name and marks was to fill orders from Pitt for athletic uniforms. Some ten years later, without notice to Pitt, Champion apparently began selling such goods to

others. At all times when Champion was selling soft goods bearing Pitt's name and marks, a substantial part of its production was sold directly to Pitt. Although Champion keeps records which enable it to determine the quantity of goods which it has sold bearing the names and marks of numerous organizations other than Pitt, Champion swore that it had no records which show any quantity of soft goods which it sold with Pitt's name and marks. There is no evidence of any kind to show what quantity of goods Champion may have sold to others bearing Pitt's name and marks.

(7) At all times Champion knew of Pitt's continuing use of its name and marks. Champion has never claimed that it used Pitt's name and marks as trademarks of Champion. Witnesses for Champion continuously used the word "Pitt" in their testimony to refer to respondent, the University of Pittsburgh. Champion places the Pitt marks on its shirts to show an association with Pitt and because it considers use of the Pitt marks on the goods is attractive to the buyer.

(8) The district court held that Pitt was barred by laches from recovering any damages for past infringement by Champion, and the court of appeals affirmed that holding. The district court did not find that Pitt had any knowledge of the existence or volume of unauthorized sales outside the Pittsburgh area before the 1977 Sugar Bowl game, 686 F.2d 1046, 10a, and there is no evidence that Pitt was ever aware of any substantial sales by Champion for any long period prior to this action. When Pitt became aware of the problem it objected, and this litigation followed.

(9) There is no evidence that the success or failure of Champion's business is dependent upon its use of Pitt's name and marks. To the contrary, Champion sells

soft goods bearing the names and marks of more than 10,000 different schools. The silk screen printing plates which are used to print the names and marks on the soft goods can only be used to print not more than 3 or 4 dozen shirts. The screens are destroyed after each production run, and new screens must be prepared for subsequent runs, 686 F.2d at 1048, 15a. The remaining equipment in Champion's plant can be used to print whatever designs Champion chooses, and Champion would not be precluded from using that equipment by the relief sought herein by Pitt.

I. The Court of Appeals Correctly Decided The Issue Before It.

The petition argues that the decision of the court of appeals herein is contrary to this court's decisions in *National Hockey League v. Metropolitan Hockey Club*, (1976) 427 U.S. 639, in *Czaplicki v. The Hoegh Silvercloud*, (1956) 351 U.S. 525, and in *Gardner v. Panama Railroad Co.*, (1951) 342 U.S. 29. The argument is unsound; the decision here is not in conflict with those decisions. Here, the court of appeals, after reviewing the record and findings, held that there was insufficient evidence to support the holding of laches which would bar all future relief. In *National Hockey League* this court, after reviewing the findings and record, held that there was sufficient ground to support the ultimate sanction under Rule 37 of dismissal of the Complaint.

Czaplicki and *Gardner* fully support the decision of the court of appeals in this action. In each of these cases the district court dismissed the complaint on the ground of laches and the court of appeals affirmed. In each case this court, after a review of the findings and the record, held that dismissal of the complaint was inappropriate. In each case this court noted that "where no prejudice to

the defendant has ensued from the mere passage of time, there should be no bar to relief" 342 U.S. at 31 and 351 U.S. at 533. Here the court of appeals found that Champion had not been prejudiced by the delay. Accordingly, it properly reversed the judgment of the district court which dismissed the complaint and barred Pitt from having future relief.

II. There Is Nothing About This Case Which Calls For Review By This Court.

The judgment of the court of appeals remands this case to the district court for further proceedings, 686 F.2d at 1049, 17a. Accordingly, the case is in an interlocutory stage awaiting further proceedings in the district court. It is clear on the basis of the foregoing that (i) the court of appeals decision is based on a careful review of the record and a reading of all findings in the light most favorable to Champion, and (2) the case does not come within the purview of Rule 17.

No principle, the settlement of which is of importance to the public, is involved. *Forsyth v. Hammond*, (1897) 166 U.S. 506, 513-4; *United States v. Rimer*, (1911) 220 U.S. 547, 548; *Layne & Co. v. Western Well Works*, (1923) 261 U.S. 387, 393; *Magnum Co. v. Coty*, (1923) 262 U.S. 159, 163.

There is no conflict of circuits or conflict with decisions of this court. *Layne & Co. v. Western Well Works, supra; Keller v. Adams-Campbell*, (1924) 264 U.S. 314, 319-20.

What Champion is really seeking is another review of the evidence and the inferences drawn from it. Such review is not the proper function of this Court. *Tyrrell v. District of Columbia*, (1917) 243 U.S. 1, 6; *Magnum Co. v. Coty, supra; United States v. Johnston*, (1925) 268 U.S.

220, 227; *General Pictures Co. v. Western Electric Co.*, (1938) 304 U.S. 175, 179.

CONCLUSION

The Petition for Writ of Certiorari should be denied.

Respectfully submitted,

WALTER J. BLENKO, JR.
301 Fifth Avenue
Pittsburgh, Pennsylvania
15222

Attorney for Respondent

ARNOLD B. SILVERMAN
LYNN J. ALSTADT
301 Fifth Avenue
Pittsburgh, Pennsylvania 15222

Of Counsel

November 24, 1982

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No. 82-699

IN THE

Supreme Court of the United States

OCTOBER TERM, 1982

CHAMPION PRODUCTS INC.,

Petitioner,

—v.—

UNIVERSITY OF PITTSBURGH,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

REPLY BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

PAUL J. WEINER
BREED, ABBOTT & MORGAN
Citicorp Center
153 East 53rd Street
New York, New York 10022
(212) 888-0800

Counsel for the Petitioner, Champion Products Inc.

ADRIAN V. WHITE
CHARLES R. FRASER

Of Counsel

WILLIAM H. HAUSER
ANDERSON, MORELAND & BUSH
26th Floor, Centre City Tower
Pittsburgh, Pennsylvania 15222
(412) 471-3002

Of Counsel

Table of Contents

	Page
Table of Authorities	ii
Argument	1
I. IT IS PITTSBURGH, RATHER THAN CHAMPION, WHICH SEEKS TO SET ASIDE THE FINDINGS OF FACT ACCEPTED BY BOTH COURTS BELOW	1
CONCLUSION	4

Table of Authorities

Cases	Page
General Talking Pictures Co. v. Western Electric Co., 304 U.S. 175 (1938)	3n.
National Hockey League v. Metropolitan Hockey Club, Inc., 427 U.S. 639 (1976)	3n.
Wagner v. Baird, 48 U.S. (7 How.) 233	4
Rules and Statutes	
Supreme Court Rule 23.1	4
28.1	1n.

No. 82-699

IN THE

Supreme Court of the United States

OCTOBER TERM, 1982

CHAMPION PRODUCTS INC.,

Petitioner,

—v.—

UNIVERSITY OF PITTSBURGH,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

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Argument

I

IT IS PITTSBURGH, RATHER THAN CHAMPION, WHICH SEEKS TO SET ASIDE THE FINDINGS OF FACT ACCEPTED BY BOTH COURTS BELOW

Pittsburgh[1] tells this Court that "[w]hat Champion is really seeking is another review of the evidence and the inferences

1 Unless otherwise indicated, all references and abbreviations are the same as in Champion's petition for certiorari. Champion states as follows pursuant to Rule 28.1 of this Court: Champion does not have any parent company, subsidiary other than wholly-owned subsidiaries, or affiliated corporations. However, we note for the Court's informa-

drawn from it" (Brief of University of Pittsburgh in Opposition to the Petition, hereinafter "Brief Opp.", at 7). This statement rests in turn on Pittsburgh's assertion that:

> "Even on the most exuberant view of the evidence Champion, for many years, manufactured soft goods bearing Pitt's name and marks *solely* to fill orders from Pitt's athletic department and book store." (Brief Opp. at 4).[2]

In fact, both the District Court and the Court of Appeals clearly found to the contrary. The District Court found that, beginning in "about 1936", the same year in which Champion began the sale of soft goods to Pittsburgh, "Champion sold Pitt Insignia software *continuously* to others not affiliated with Pitt." Finding 15, 22a, *University of Pittsburgh v. Champion Products, Inc.*, 529 F. Supp. 464, 467 (W.D. Pa. 1982). This finding, like the District Court's other findings of historical fact, 2a, *University of Pittsburgh v. Champion Products, Inc.*, 686 F.2d 1040, 1041 (3d Cir. 1982), was specifically affirmed by the Court of Appeals. 4a, 686 F.2d 1040, 1043. Thus, in order to uphold the Third Circuit's decision on the grounds advanced by Pittsburgh, this Court would have to disregard specific factual findings made by both courts below.

Pittsburgh's position, that "[s]ome ten years later [after 1936], *without notice* to Pitt, Champion apparently *began* selling such goods to others" (Brief Opp. at 4), is therefore

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tion that Reliance Financial Services Corporation, which appears to be a wholly-owned subsidiary of Reliance Group, Incorporated, a publicly owned Delaware corporation, with its principal place of business in New York, New York, has reported that it has acquired more than five percent of the outstanding shares of Champion. Also, Central Trust Company, Rochester, New York, which appears to be a wholly-owned subsidiary of the Irving Bank Corporation, a publicly owned New York corporation, with its principal place of business in New York, New York, holds in its capacity as trustee approximately 23 percent of the outstanding shares of Champion.

2 Unless otherwise indicated, all emphasis in quoted material has been supplied.

wrong on both counts, according to the record as viewed by either court. Such sales to third parties by Champion, as noted above, had begun well prior to 1946, and both courts found that Pittsburgh did indeed have notice of such sales. Findings 20-24, 23a, 529 F. Supp. at 468, affirmed at 23a, 686 F.2d at 1045.

The remainder of Pittsburgh's statements of "fact" do not even purport to rest on anything in the record or in the opinions of either court. They likewise appear to represent mere wishful thinking on Pittsburgh's part, and therefore do not require any specific rebuttal.[3]

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3 Contrary to Pittsburgh's claims, this case is clearly in a similar procedural posture to *National Hockey League v. Metropolitan Hockey Club Inc.*, 427 U.S. 639 (1976), and is properly reviewable now by this Court. Moreover, Pittsburgh's position here that this petition be denied as interlocutory directly contradicts its position in related actions now pending before the Trademark Trial and Appeal Board, wherein Pittsburgh asserted that "[i]n the event that the Supreme Court declines to review the decision of the Court of Appeals then . . . [e]very substantive issue in these oppositions will be conclusively decided against Champion." (Response to Opposer's Motion for Consolidation and Suspension of Proceeding Until Termination of Related Civil Action, Opposition Nos. 65,537, 65,538, and 65,539, dated November 1, 1982 at 6).

Pittsburgh mistakenly invokes the "two court" rule as a bar to review by this Court. Brief Opp. at 7-8 citing, *e.g.*, *General Talking Pictures Co. v. Western Electric Co.*, 304 U.S. 175, 178 (1938). That rule would be applicable only if Champion were asking this Court to upset specific factual findings made by the District Court, and thereafter affirmed by the Court of Appeals. Champion's argument in this Court is the exact opposite: The action of the Court of Appeals in reversing was improper in light of the facts as found by the District Court, and confirmed by the Court of Appeals. To the extent the "two court" rule applies to this case at all, it would support Champion, not Pittsburgh.

CONCLUSION

The Court of Appeals clearly erred and exceeded its authority by ordering the District Court on remand to "grope after the truth of facts involved in the mist and obscurity consequent on the lapse of nearly half a century." *Wagner v. Baird*, 48 U.S. (7 How.) 233, 259 (1849).

WHEREFORE, it is respectfully requested that Champion's petition for writ of certiorari be granted and in addition, or in the alternative, that the judgment of the District Court be summarily reinstated pursuant to Rule 23.1 of this Court.

Dated: New York, New York
December 3, 1982

Respectfully submitted,

PAUL J. WEINER
BREED, ABBOTT & MORGAN
Citicorp Center
153 East 53rd Street
New York, New York 10022
(212) 888-0800

Counsel for the Petitioner, Champion Products Inc.

ADRIAN V. WHITE
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WILLIAM H. HAUSER
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26th Floor, Centre City Tower
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